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THE MARKET FOR WORKFLOW PRODUCTS

INPUT

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The Market for Workflow Products

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I
Introduction

A
Objective

The overall objective of the research is to assist Centre-file's workflow task-force in gaining an understanding of the market for workflow products in the UK and hence producing their own market plan.

In particular, the research focuses on assisting Centre-file in ascertaining the details of the purchasing process by which users acquire workflow products, and the sales processes used by a number of leading vendors.

In addition, the report identifies:

- The key players in the market
- Customer requirements today
- The mutual dependencies between workflow products and other related products/services such as document image processing and business process design
- The size and expected growth rate of the market for workflow products
- Breakdowns of the market
- Vendor approaches and specialisations.

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B

Scope and Methodology

The user research is based on telephone interviews with:

- Ten users of workflow systems
- Ten potential users of workflow systems.

These interviews were conducted primarily within the insurance sector.

In addition, telephone interviews were carried out with representatives of ten leading suppliers of workflow related products and services.

C

Report Structure

Chapter II is the Executive Overview of the report which summarises the key findings and conclusions.

Chapter III considers the size of the market for workflow related products and services and identifies the leading workflow software product vendors.

Chapter IV analyses the purchasing process adopted by existing users of workflow.

Chapter V analyses the purchasing process and expected requirements from potential users of workflow systems.

Chapter VI discusses the sales approaches and activities of the leading vendors in the workflow market. It also profiles several of the consultancies that are key influences in this market.

Chapter VII identifies a number of approaches that Centre-file could adopt within the workflow market.

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II
Executive Overview

A
Workflow Segments into "High Volume" and "General Purpose" Market Sectors

At the present time, the workflow market is a small specialist area. The market consists of a number of specialist suppliers supplying workflow products for the automation of "high volume", paper-intensive processes in sectors such as financial services, government, pharmaceuticals and utilities. The market leaders in end user sales are the major systems vendors such as IBM, Unisys, Digital, and ICL together with the specialist imaging/workflow vendors such as Filenet. In order to sell workflow software products to the end user in this market, vendors must offer a range of complementary services including:

- Business process re-engineering and change management consultancy
- Document image processing services.

One disadvantage of workflow software product vendors becoming systems integrators for their own products is the danger that this will reduce their opportunity to market their product through other systems integrators. In deciding to become a systems integrator, the software product vendor largely commits itself exclusively to the direct sales channel.

The other alternative is for the workflow software product vendor to distribute its product through third-party channels, namely the principal systems integrators such as IBM, Digital, Cap Gemini Sogeti, and Andersen Consulting. One advantage of this approach is that it offers the possibility of extending geographic product coverage to a European or global level. At present there is only one vendor (FCMC) adopting this approach and there may be an opportunity to displace this product, with one based on more up-to-date technology.

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The UK market remains too small to support a large number of workflow software product vendors. In 1992 the workflow related market in the UK is estimated to be valued as shown in Exhibit II-1.

EXHIBIT II-1

Workflow Related Market

~~Compunet~~ Component	Value $m
Workflow software products	5
Services (consultancy, training etc.)	20
Equipment, including document image processing	45
TOTAL	**70**

However, while there will be high growth over the next five years in this "high volume" segment, leading to a trebling of revenues by 1998, the major growth in the workflow software product market will be generated in the new "general purpose" workflow market sector. In this sector, workflow products will be increasingly sold as another component of office automation alongside products such as E-mail, word processing, and spreadsheets. Accordingly this segment of the market will be dominated by the major personal computer software product vendors such as Microsoft, Lotus, and Borland.

The key to success for an innovative software product vendor in this "general purpose" segment is to achieve mass distribution via joint venture or partnership with a leading international software products vendor. However the "high volume" workflow specialists such as Filenet also want to enter this new market.

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Workflow Systems Integration - A Complex Purchasing Process

This section considers in more detail the purchasing process within the "high volume" workflow systems integration market.

The purchasing process is complex and is outlined in Exhibit II-2.

EXHIBIT II-2

Purchasing Process : Workflow

Stage	Key Influences
Decision to investigate workflow	Senior executives Departmental Heads O&M/Business Strategy
Vendor identification/ information collection	IS department External consultants
Trial Go/No Go Decision	Departmental Heads Operational management

The decision to investigate workflow tends to be taken by main-board directors, though O&M and business strategy departments are often instrumental in promoting the concepts of business re-engineering, workflow, and imaging. However workflow can also be initiated by departmental heads for operational areas. For example one vendor specialises in targeting debt collection departments within the banking sector.

IS departments are perceived to show lower levels of enthusiasm for workflow than end users. IS perceive the difficulties of implementation, while end users perceive the possible benefits. However senior executives typically have low levels of knowledge of vendors to approach and so the IS department and external consultants are extensively involved in drawing up lists of possible vendors. This tends to favour the major systems vendors who typically have an account presence and are perceived as a low risk selection.

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The majority of organisations then adopt a trial of workflow in a nominated department. This is a lengthy process - up to a year - involving several months on-site trial. At this stage, the department manager assumes responsibility for the trial, with the IS department supplying technical support. To be successful at the trial stage, it is essential that the vendor

- Demonstrates clear cost savings from the application of workflow
- Is recognised as understanding the client's business
- Is perceived to be supportive.

Recognising the complexity of the purchasing process, Filenet targets specific organisations and endeavours to approach each of:

- Financial Director
- Chief Operating Officer
- End-User Directors
- IS Department.

Most vendors recognise that ownership of workflow systems must ultimately be held by the end user department, not the IS department. Hence, there is a general move to phase out the involvement of the IS department as the introduction of workflow progresses.

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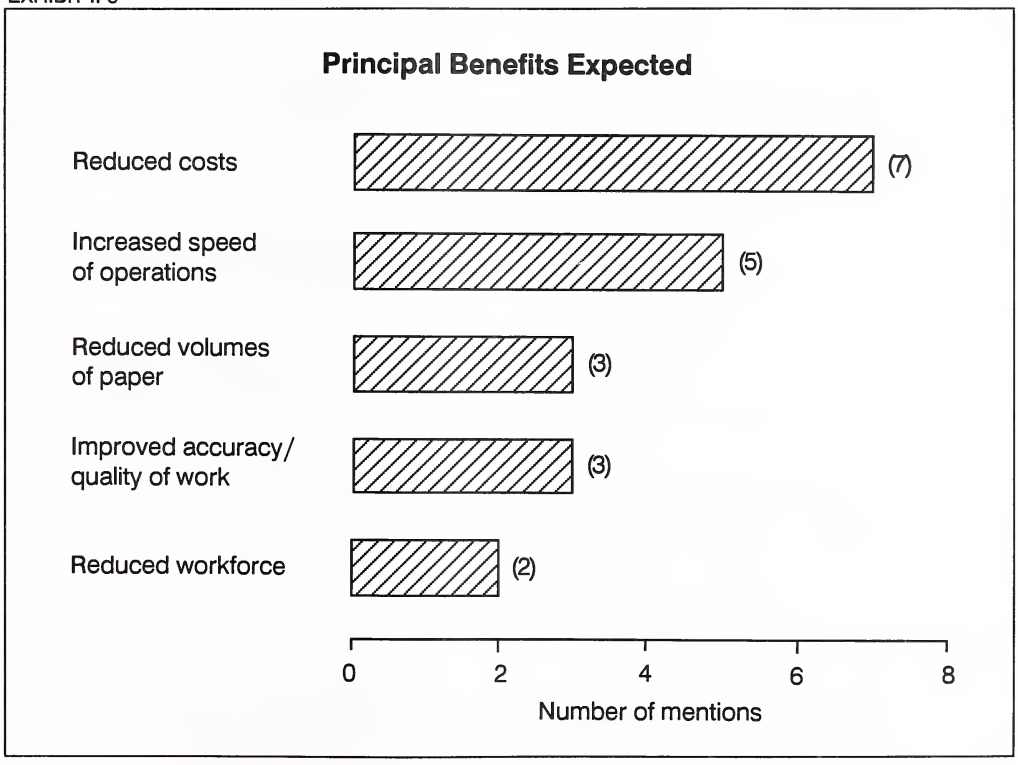
Full Service Offering Required to Demonstrate Cost Savings

Exhibit II-3 lists the principal benefits expected from workflow systems.

EXHIBIT II-3



While increased effectiveness is important, in order for workflow to be accepted it is critical that cost savings can be demonstrated. Sometimes the high cost per user of a trial can inhibit the further adoption of workflow.

Another potential inhibitor is the high cost of consultancy to assist users in identifying business process redesign.

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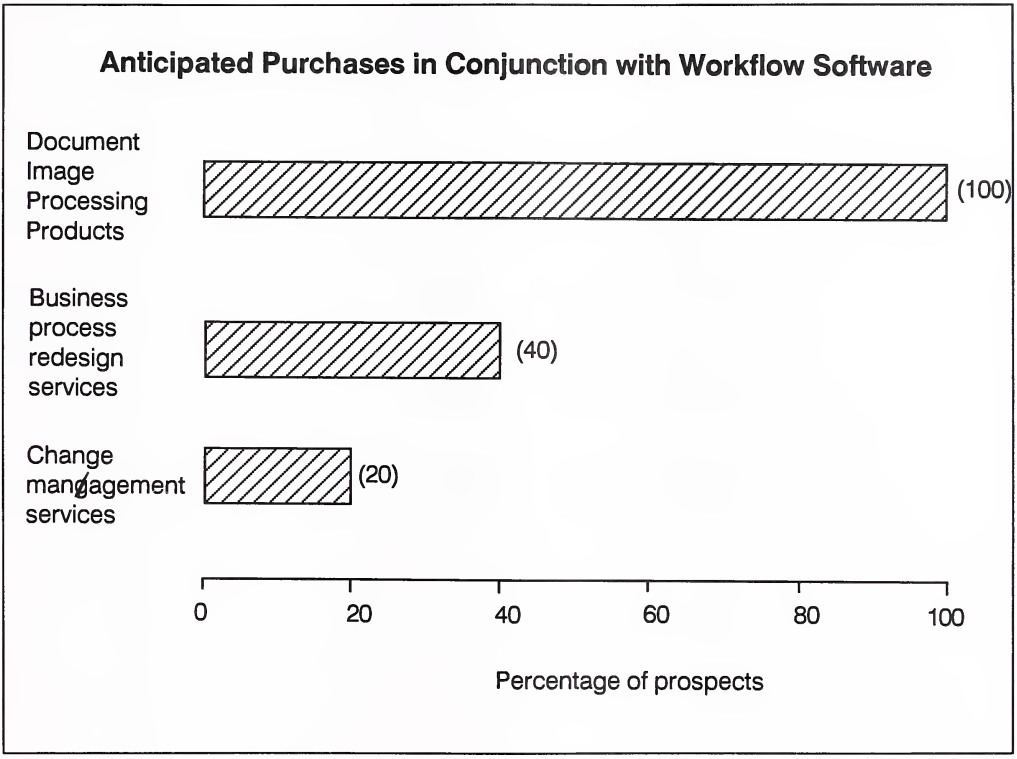
Exhibit II-4 identifies the products and services that potential users of workflow expect to purchase in association with workflow software.

EXHIBIT II-4



This is a very strong correlation between the purchase of workflow and document image processing, and so it is essential that any vendor offering workflow software also has access to document image processing technology. Other document storage technologies may also be useful adjuncts to document image processing.

Potential users also require assistance with business process redesign services and change management. A vendor may be prepared to provide these services via partnership agreements with consultancies such as KPMG and Touche Ross. However it is dangerous to assume that such a relationship will lead to referred sales. The consultancies need to preserve their aura of independence from product vendors.

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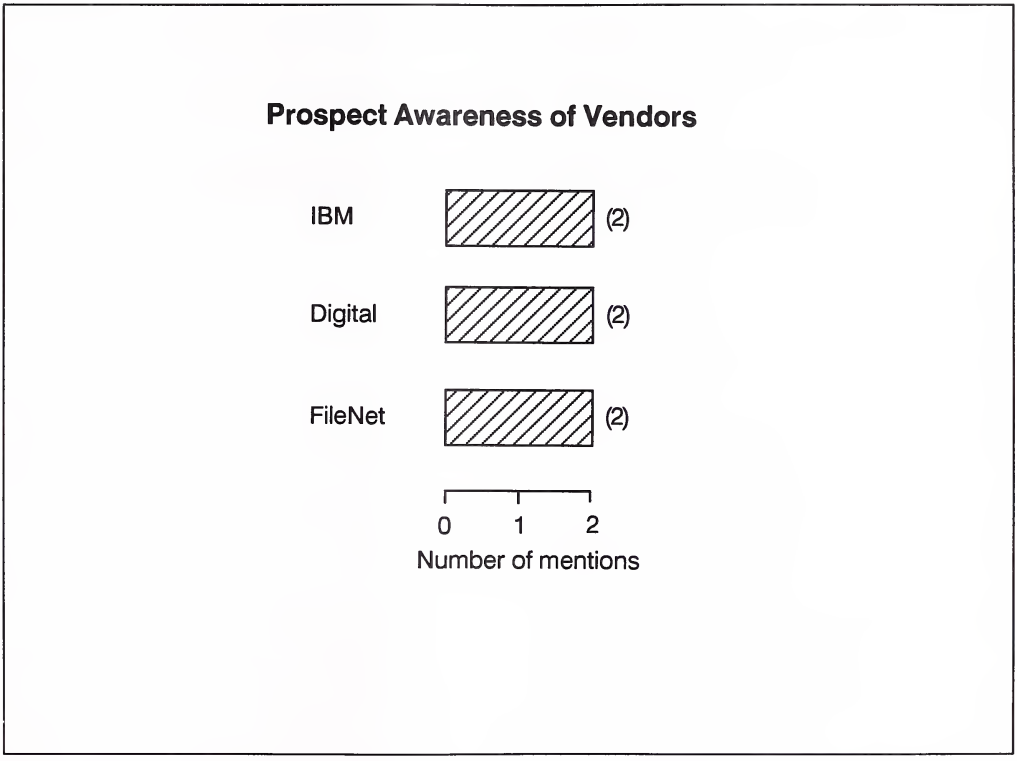
Systems Vendors Dominate Workflow Systems Integration

Exhibit II-5 illustrates potential users' vendor awareness.

EXHIBIT II-5



Workflow has a strong association with imaging and potential users tend to approach the leading systems vendor such as IBM and Digital, followed by the specialist vendors. Filenet appears to have the highest profile of any independent specialist vendor in the insurance sector.

The market is an extremely competitive one. In the last year, IDL - a UK specialist - and Hewlett-Packard have withdrawn from the market.

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The leaders in workflow systems integration are the equipment vendors: IBM, ICL, Unisys, Digital, and Olivetti. These organisations appear to be taking over control of the market from the independent specialists such as Computron and Plexus, though Filenet remains one of the market leaders.

In terms of workflow software product sales, the market leader in the UK is FCMC. However this company rarely sells workflow systems direct to end users relying on vendors such as IBM and ICL to act as systems integrators on its behalf.

One major opportunity in the "high volume" workflow software product market is to displace FCMC from these partnerships.

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III
Market Size

The total value of the market for workflow related systems in the UK in 1992 is estimated to be $70 million as shown in Exhibit III-1.

EXHIBIT III-1

Component	Value
Equipment & imaging products	45
Workflow Software Products	5
Services - consultancy, training etc.	20
TOTAL	**70**

However the major component of these revenues derives from equipment for document image processing. Such equipment is associated with the majority of workflow sales. Revenues from workflow software products are estimated to comprise less than 10% of total revenues.

Thus the revenues achieved on average by a systems integrator are approximately $500K per sale. Workflow software product revenues average approximately $35K per sale.

Growth in the market has not been rapid over the last year, and the overall imaging/workflow market has been unable to support the large number of vendors present. This has led to the withdrawal of companies such as Hewlett-Packard and IDL.

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Despite the clear need exhibited by a number of sectors, market growth is unlikely to exceed 30% per annum in the United Kingdom over the next two or three years. However, there remains the potential for strong growth, particularly in the financial services sector.

Exhibit III-2 provides estimates of 1992 workflow shipments for the leading vendors in the United Kingdom.

EXHIBIT III-2

Workflow Shipments, United Kingdom, 1992

Vendor	Unit Shipments
FCMC	100
IBM	30
ICL	10
Unisys	5
Filenet	5
Digital	< 5
Computron	< 5
Plexus	< 5
Olivetti	< 5
Bull	1
TOTAL	**150**

The principal sectors for workflow products remain:

- Insurance
- Banking
- Pharmaceuticals
- Central government
- Utilities
- Local government
- Process manufacturing.

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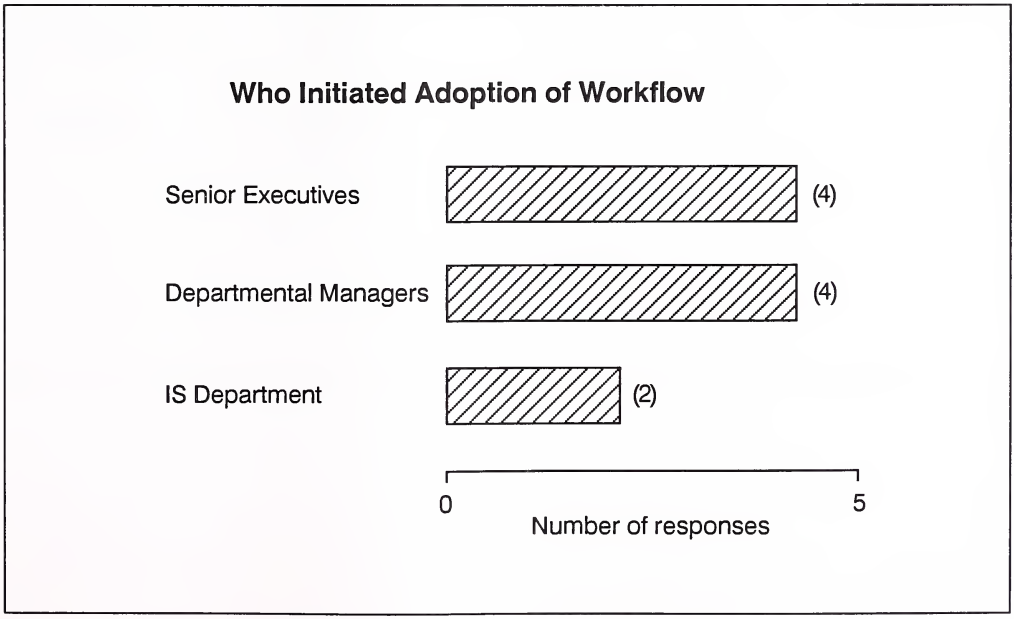
IV
Customer Analysis

A

End User Departmental Heads - Major Influence in Selecting Workflow Supplier

Exhibit IV-1 identifies the personnel responsible for initiating the process of adopting workflow within user organisations.

EXHIBIT IV-1



Decisions to adopt workflow are most likely to be taken either as a result of board level discussions and policy decisions or as an initiative by the departmental head of an operations unit such as new business or claims.

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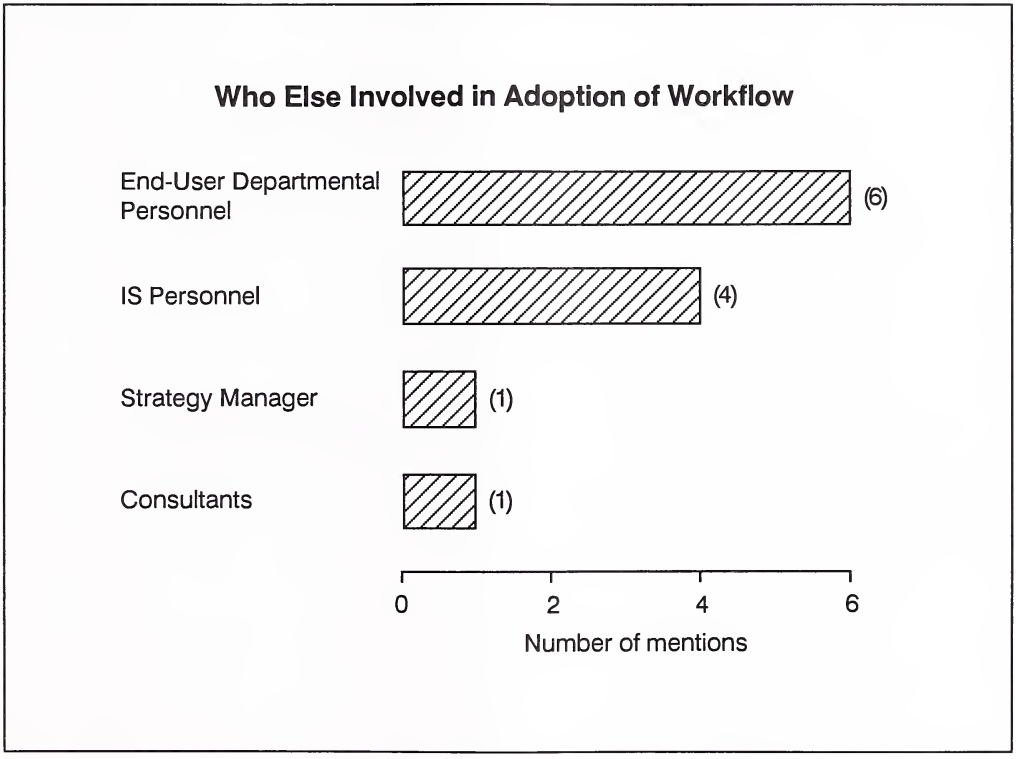
While strategy planning units and external consultants can be involved in the process of adopting workflow systems, the major participants are end user departmental personnel supported by the IS department as shown in Exhibit IV-2.

EXHIBIT IV-2



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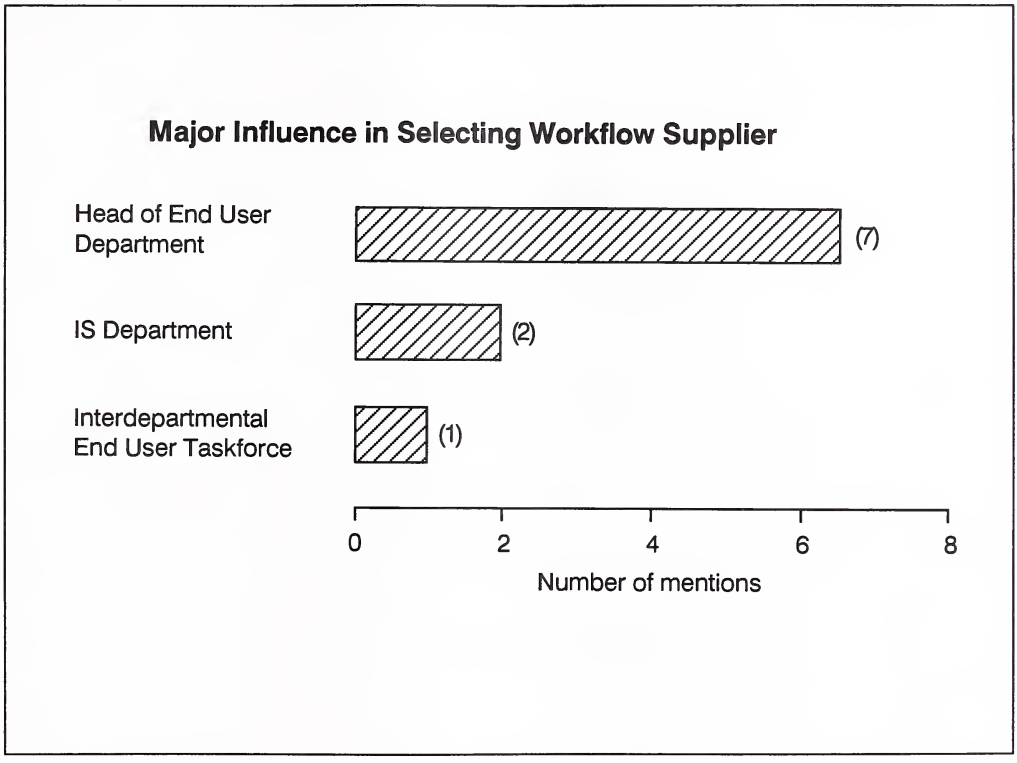
The IS department typically plays a supporting role to managers in the department which is implementing workflow. The relative influence of the end user department manager and the IS department in vendor selection are shown in Exhibit IV-3.

EXHIBIT IV-3



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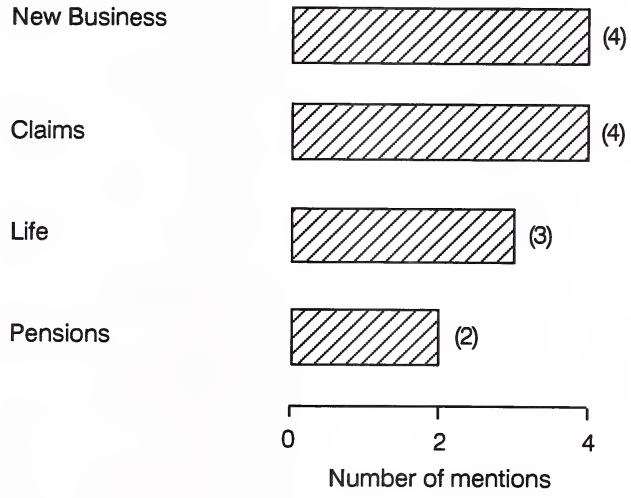
B

Life Assurance New Business Remains Most Prominent Application Area

The principal applications for which workflow systems are initially considered by insurance companies are listed in Exhibit IV-4.

EXHIBIT IV-4

Applications for which Workflow Systems Considered



Policies where information is stored for lengthy periods, say twenty years or more, such as life assurance and pensions appear to be favoured over shorter term general insurance policies. This is influenced by the undesirability of storing paper documents for such lengthy periods.

New business is also a comparatively easy stage at which to begin the use of workflow systems if these are used in conjunction with document image processing since this avoids the necessity of scanning a large backlog of documentation.

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The profile of the applications actually selected by users for adoption of workflow systems and the profile of subsequent applications planned show similar patterns to that discussed above as shown in Exhibits IV-5 and IV-6.

EXHIBIT IV-5

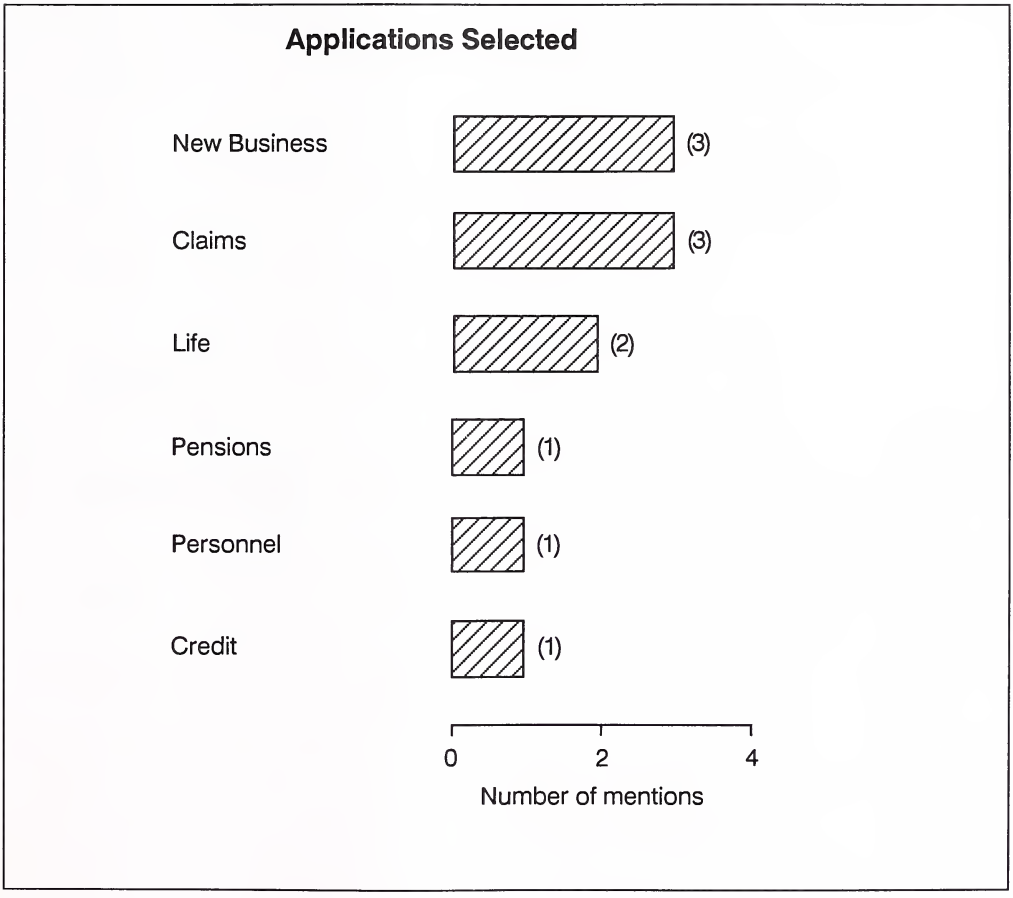

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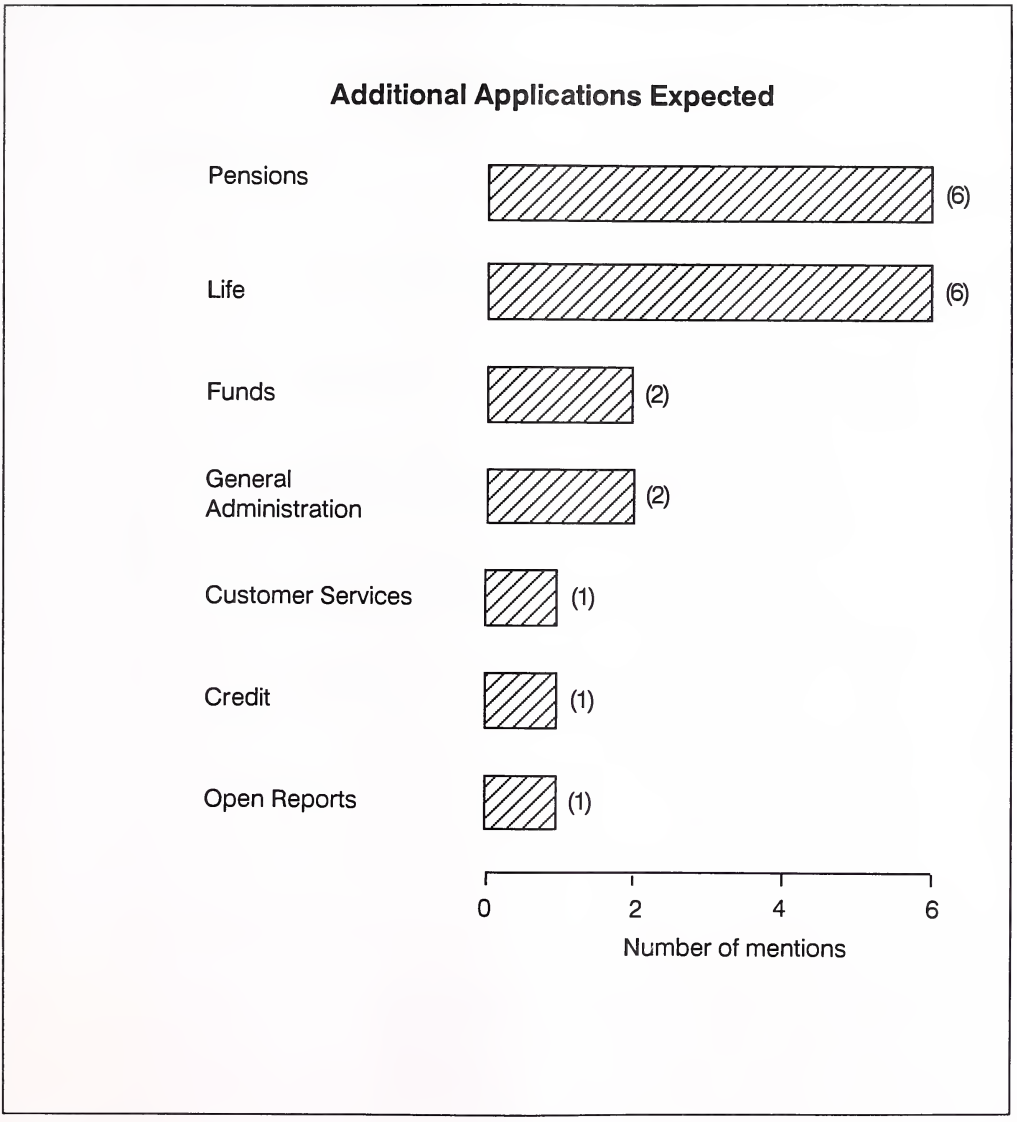
EXHIBIT IV-6



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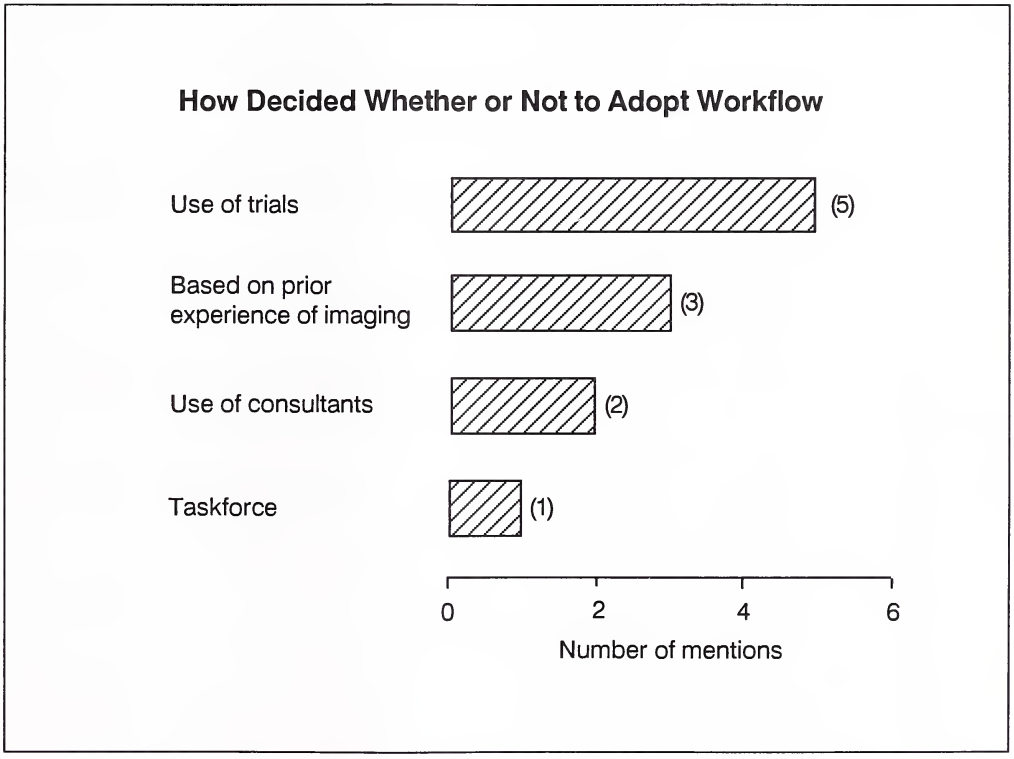
C

Trials Used Extensively

Exhibit IV-7 lists the responses to the question: "How did your organisation go about deciding whether or not to adopt Workflow Systems?"

EXHIBIT IV-7



Clearly trials are used as the major mechanism for evaluating both the applicability of workflow in general and the specific suitability of individual vendor's offerings. These trials involve hands on trials on the users' premises. The vendor or vendors being evaluated are expected to contribute products - equipment and software - personnel and expertise to these trials. The trialling process was stated to last between four months and a year - seven months on average. Roughly a third of this period - on average two months - appears to be occupied by on-site trials.

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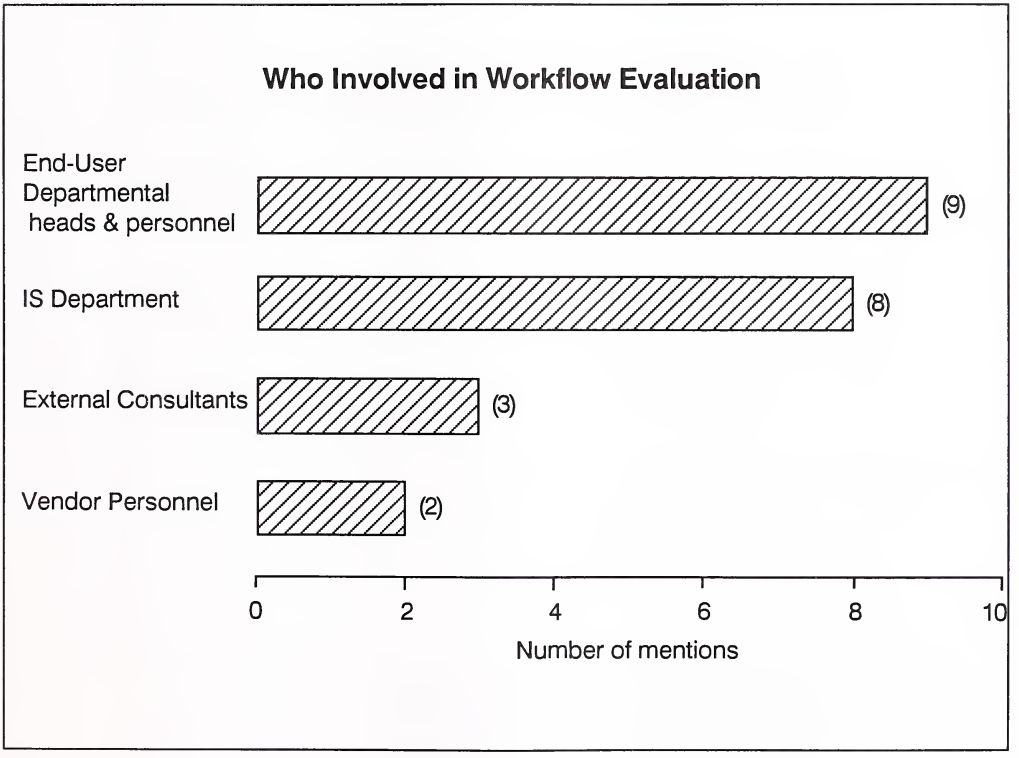
While external consultants can play a role in this evaluation process, their main contribution appears to be in the initial stages of such projects. This is discussed in more detail in a later section.

Exhibit IV-8 lists the principal participants in the workflow evaluation process.

EXHIBIT IV-8



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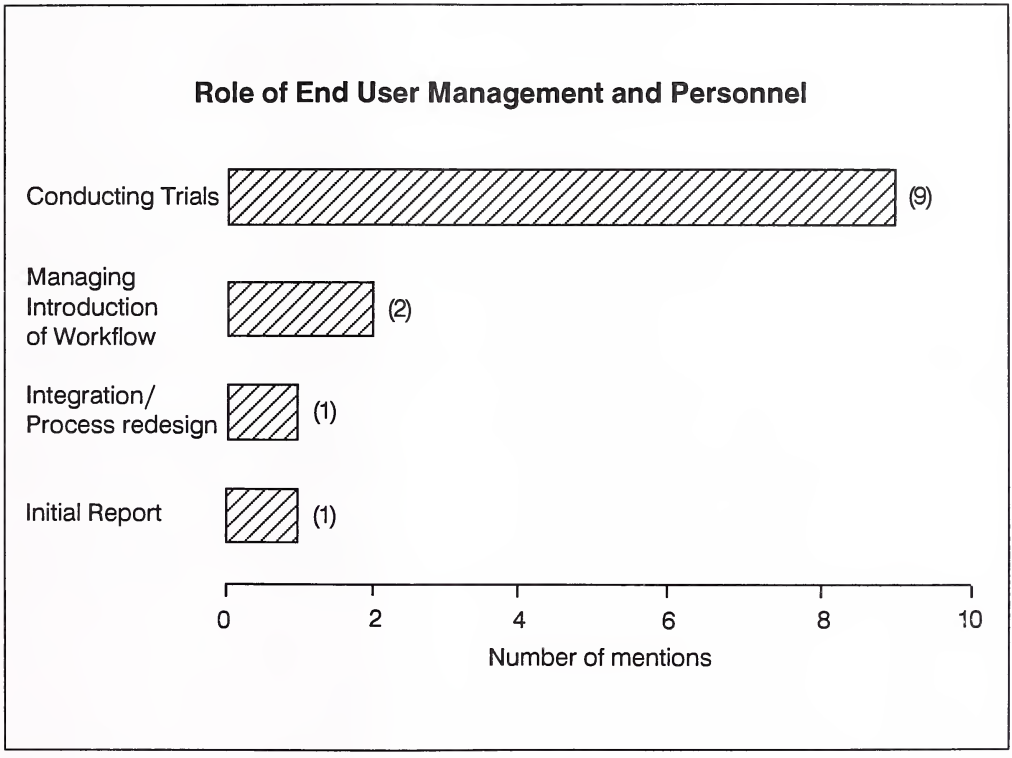
The principal roles of end user departmental managers and their staff are listed in Exhibit IV-9.

EXHIBIT IV-9



Once the evaluation reaches the in-house trial stage, the manager of the department where the trial is taking place becomes responsible for the conduct of the trial and the corresponding evaluation of the products used. These managers are subsequently responsible for the introduction of workflow to their departments.

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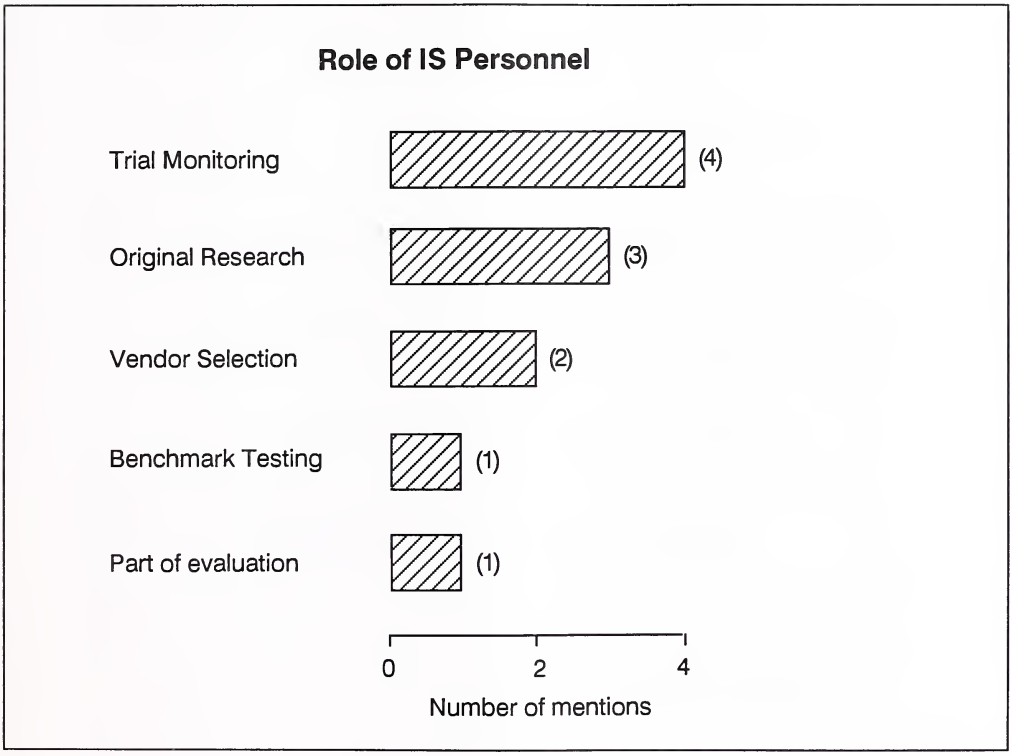
Exhibit IV-10 lists the major roles undertaken by members of the IS department in the workflow evaluation process.

EXHIBIT IV-10



The IS department appears to play a secondary role to the relevant end user department during in-house trials of workflow. At this stage, the IS department's role appears to be largely concerned with monitoring of the trials from a technical viewpoint.

However the IS department is extensively involved in the initial research into use of workflow and the identification of potential vendors. Similarly the IS department is likely to be extensively involved in any performance testing taking place off-site.

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In addition to research conducted by the in-house IS department, important sources of information include external consultants and vendors as shown in Exhibit IV-11.

EXHIBIT IV-11

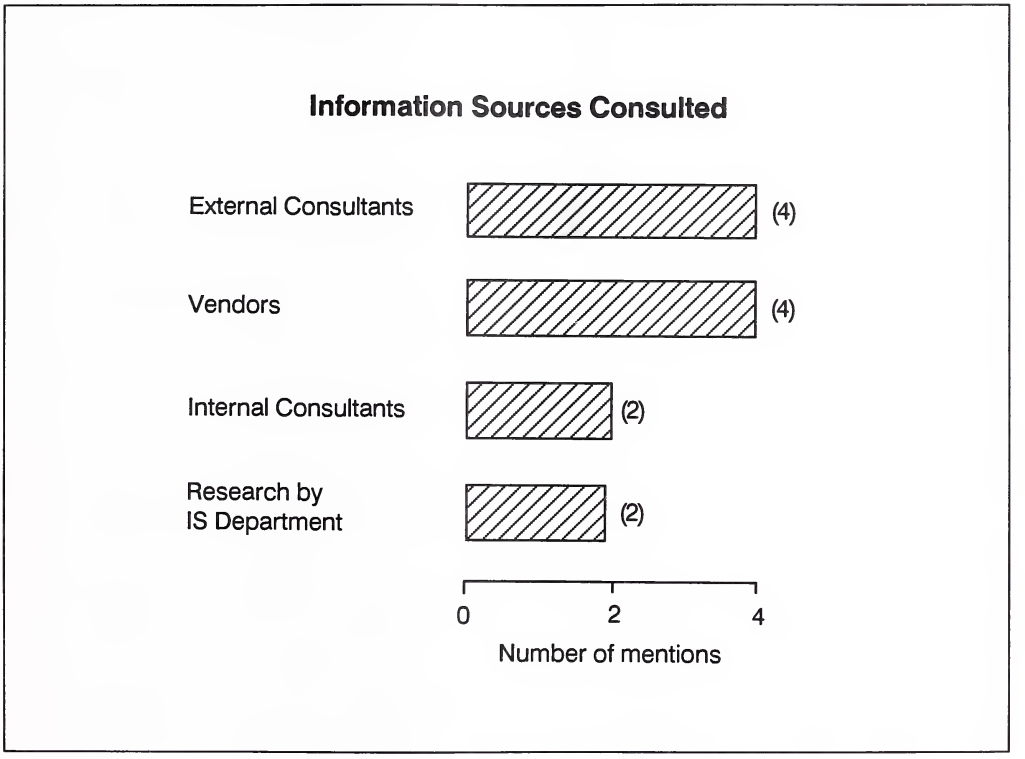

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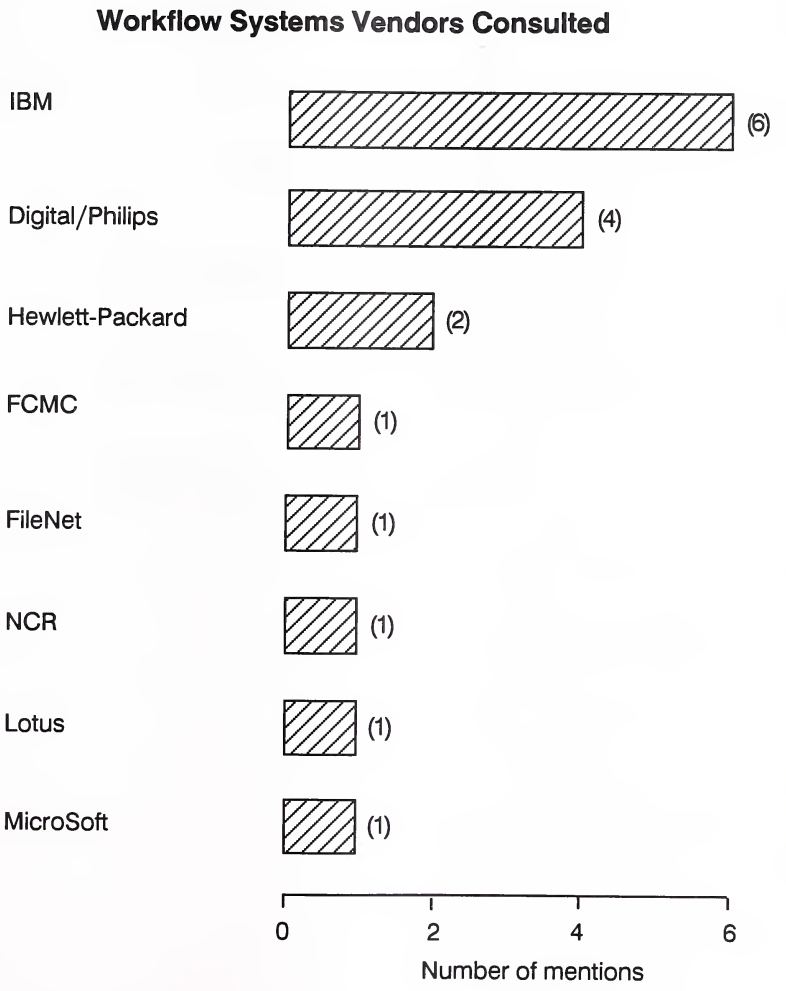
Exhibit IV-12 lists the vendors consulted by respondents.

EXHIBIT IV-12



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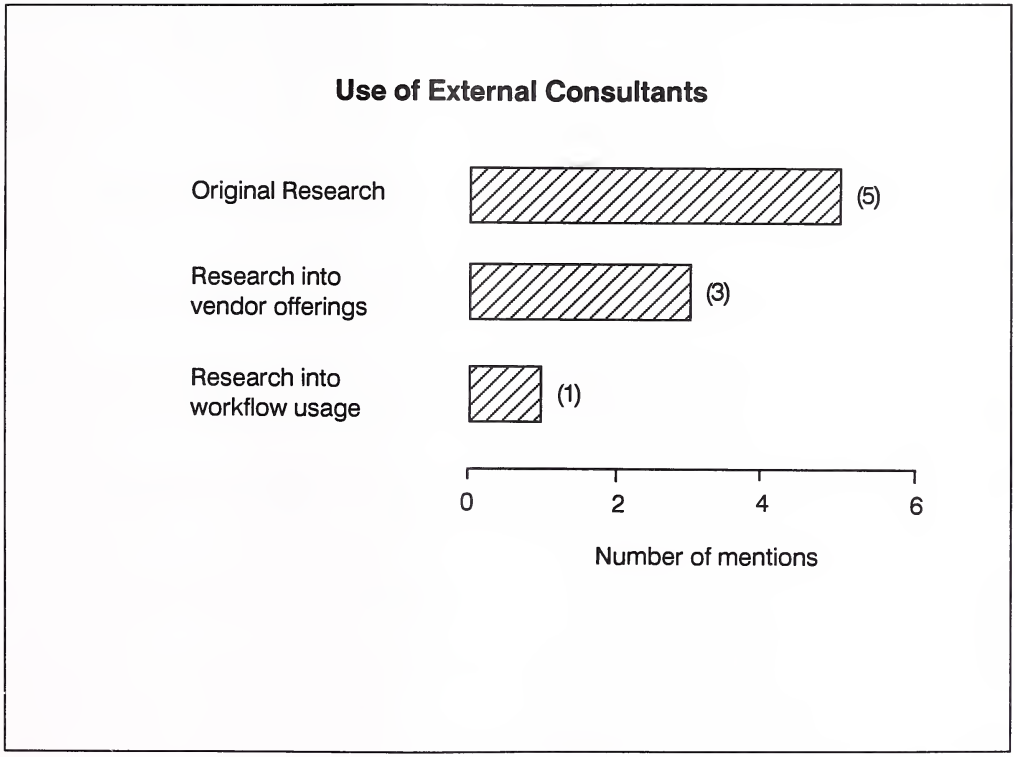
D

External Consultants Important for Information Gathering

Exhibit IV-13 considers organisations' use of external consultants in more detail.

EXHIBIT IV-13



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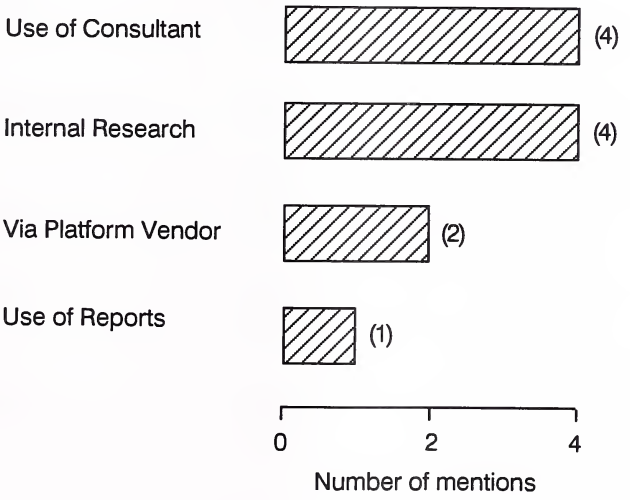
External consultants appear to be mainly used to assist organisations in their initial research into workflow. While this involves both general guidance on the applicability of workflow and research into potential vendors, the main emphasis in the use of external consultants appears to be in assisting users to evaluate vendor offerings.

The importance of the role undertaken by external consultants in identifying potential workflow system vendors is shown in Exhibit IV-14.

EXHIBIT IV-14

How Identified Potential Workflow System Vendors



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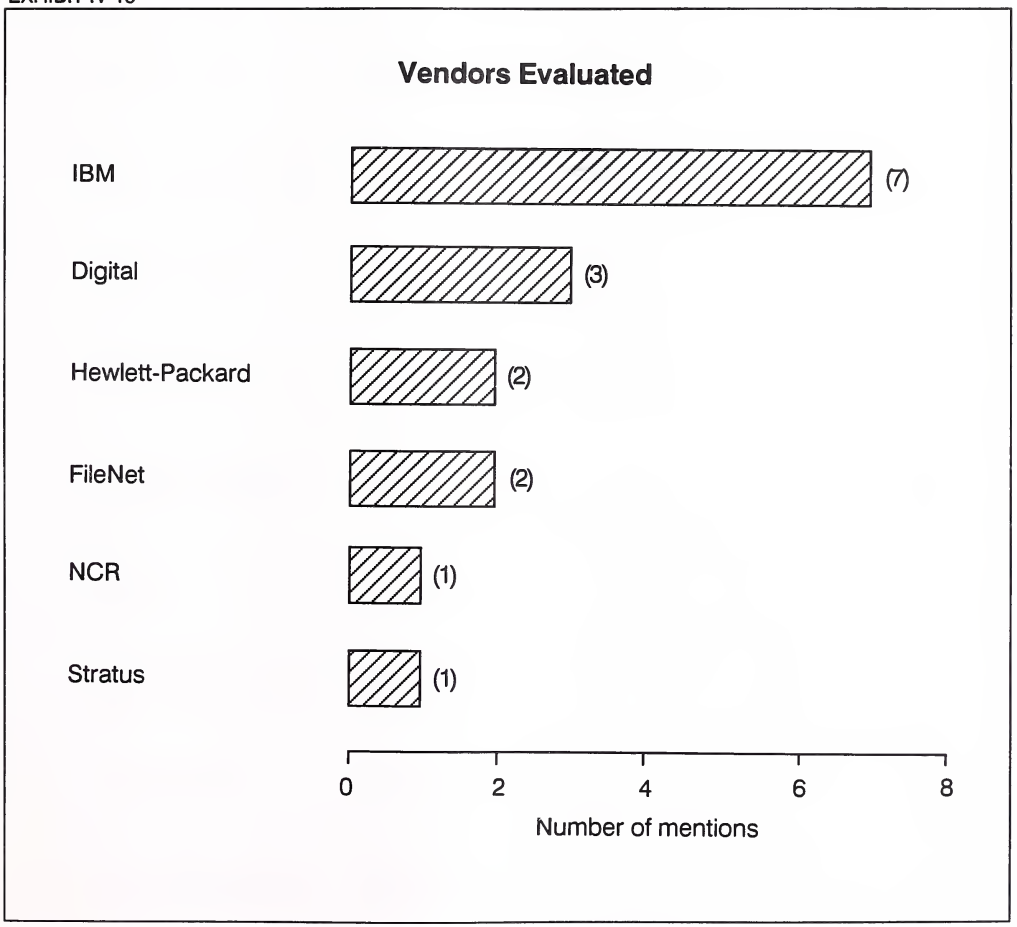
E

Equipment Vendors - Prominent in Shortlist

Exhibit IV-15 lists the vendors evaluated by the current users of workflow systems.

EXHIBIT IV-15



Equipment vendors dominated the companies mentioned receiving nearly 90% of all mentions. The remaining mentions were for a specialist vendor offering a complete solution of computer equipment, imaging capability, and workflow software.

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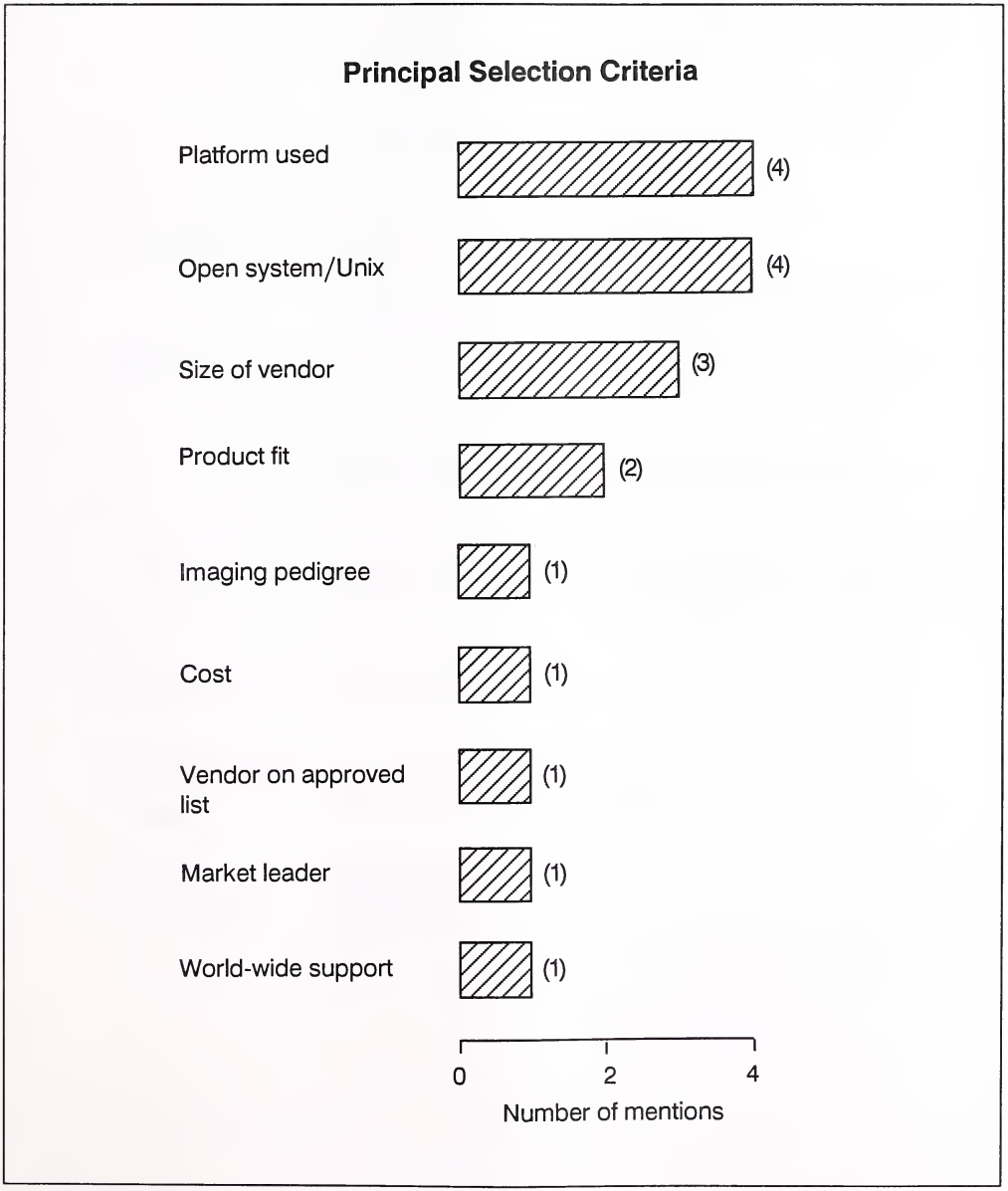
The principal selection criteria used by respondents are listed in Exhibit IV-16.

EXHIBIT IV-16



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The platform on which the workflow product is based is the single most important selection criterion. While some organisations still retain a preference for compatibility with proprietary IBM equipment, the majority are increasingly seeking a system based on open system standards. The desirability of running the system from personal computers using Windows was specified by one respondent.

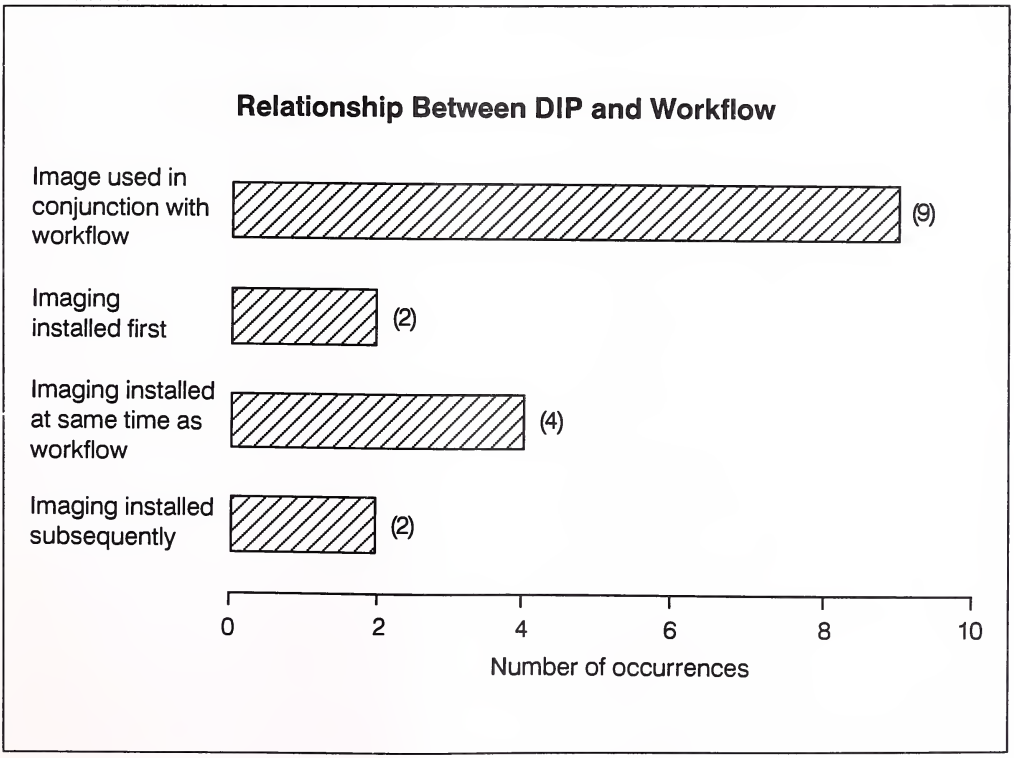
Size and stability of the potential vendor remains another very important selection criterion.

F

Strong Relationship between DIP and Workflow

Exhibit IV-17 identifies the relationship between document image processing technology and workflow.

EXHIBIT IV-17



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All the respondents perceived there to be a strong connection between document image processing (DIP) and workflow. Nine out of ten organisations already used DIP in conjunction with workflow.

Approximately half of the respondents had installed imaging at the same time as workflow. A typical justification for this behaviour was that "imaging was required to gain the full benefits of workflow".

However some organisations installed imaging prior to workflow. One of these respondents appears to have only realised after imaging had been installed that workflow was necessary to derive the full benefits from DIP. Another respondent installed imaging prior to introducing workflow so as to avoid combining the learning curves of these technologies simultaneously. Once end users were familiar with DIP then workflow was introduced.

On the other hand, some respondents took the view that DIP was just another tool within the total workflow system which could be introduced at a later date.

The suppliers of the respondents' DIP systems are shown in Exhibit IV-18.

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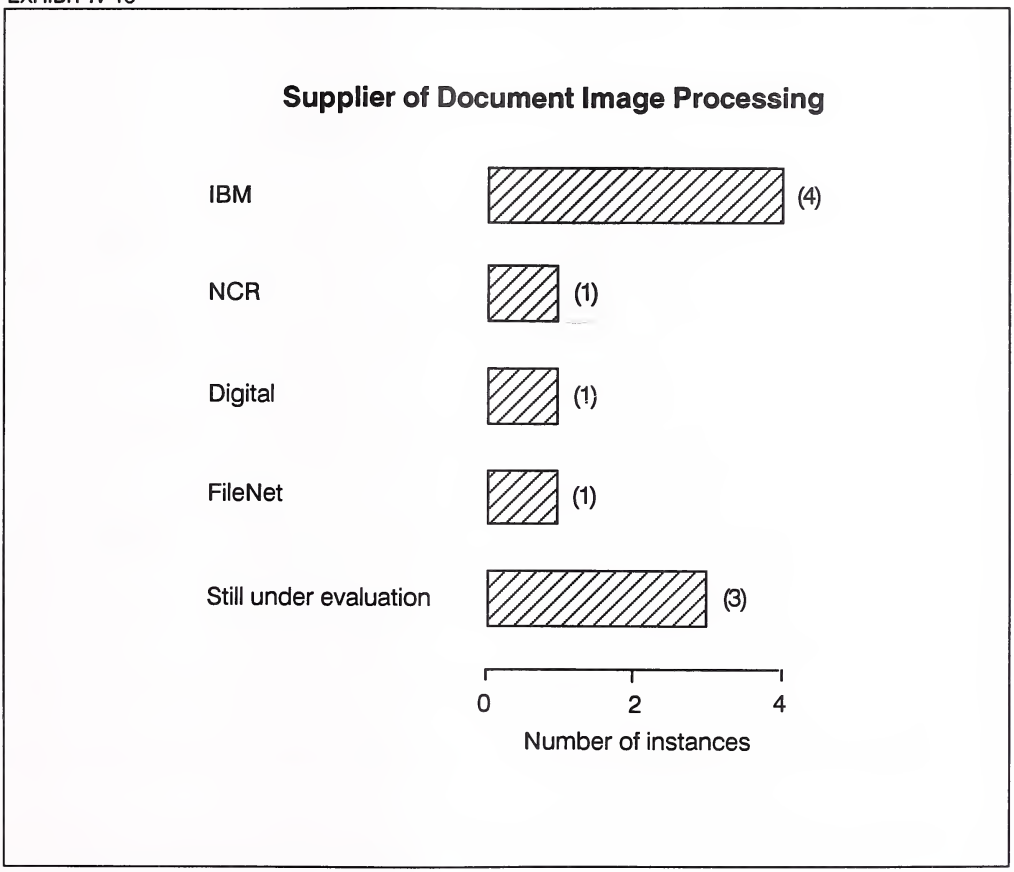
EXHIBIT IV-18



There is a very high correlation between supply of DIP and supply of workflow. In all the instances shown in Exhibit IV-18, which comprise 70% of the respondents, the same vendor supplied both DIP and workflow products.

The vendors who supplied the respondents workflow systems are listed in Exhibit IV-19.

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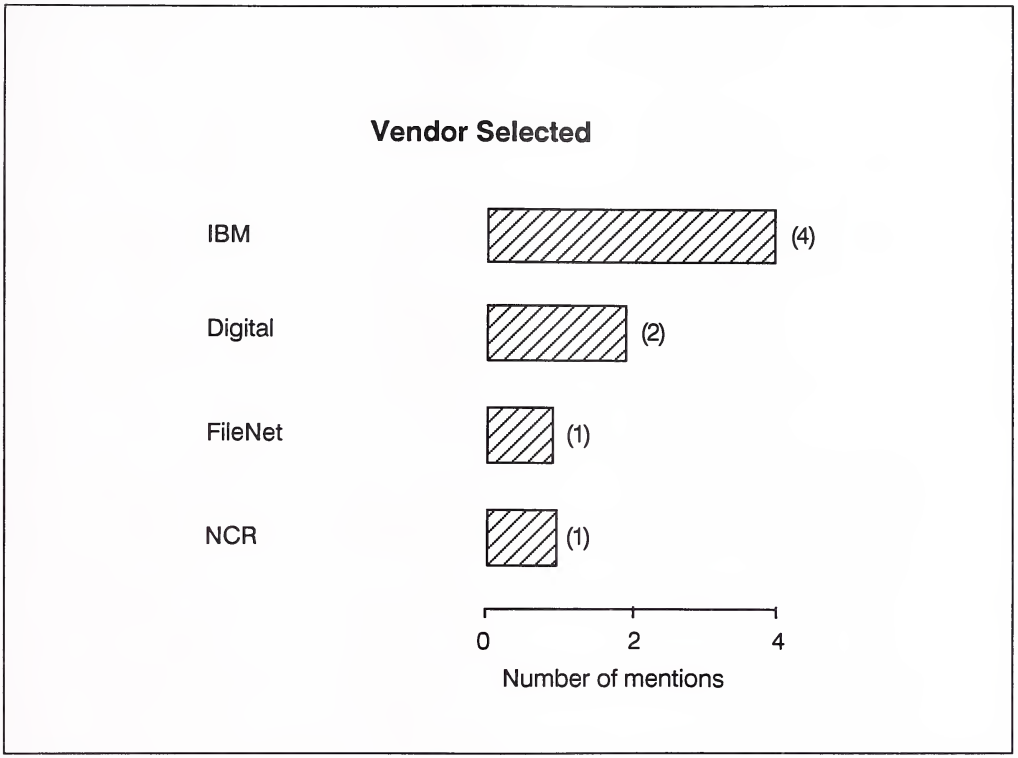
EXHIBIT IV-19



G

Vendors Must Demonstrate Cost Savings

Exhibit IV-20 lists the principal benefits which organisations expect to derive from use of workflow systems.

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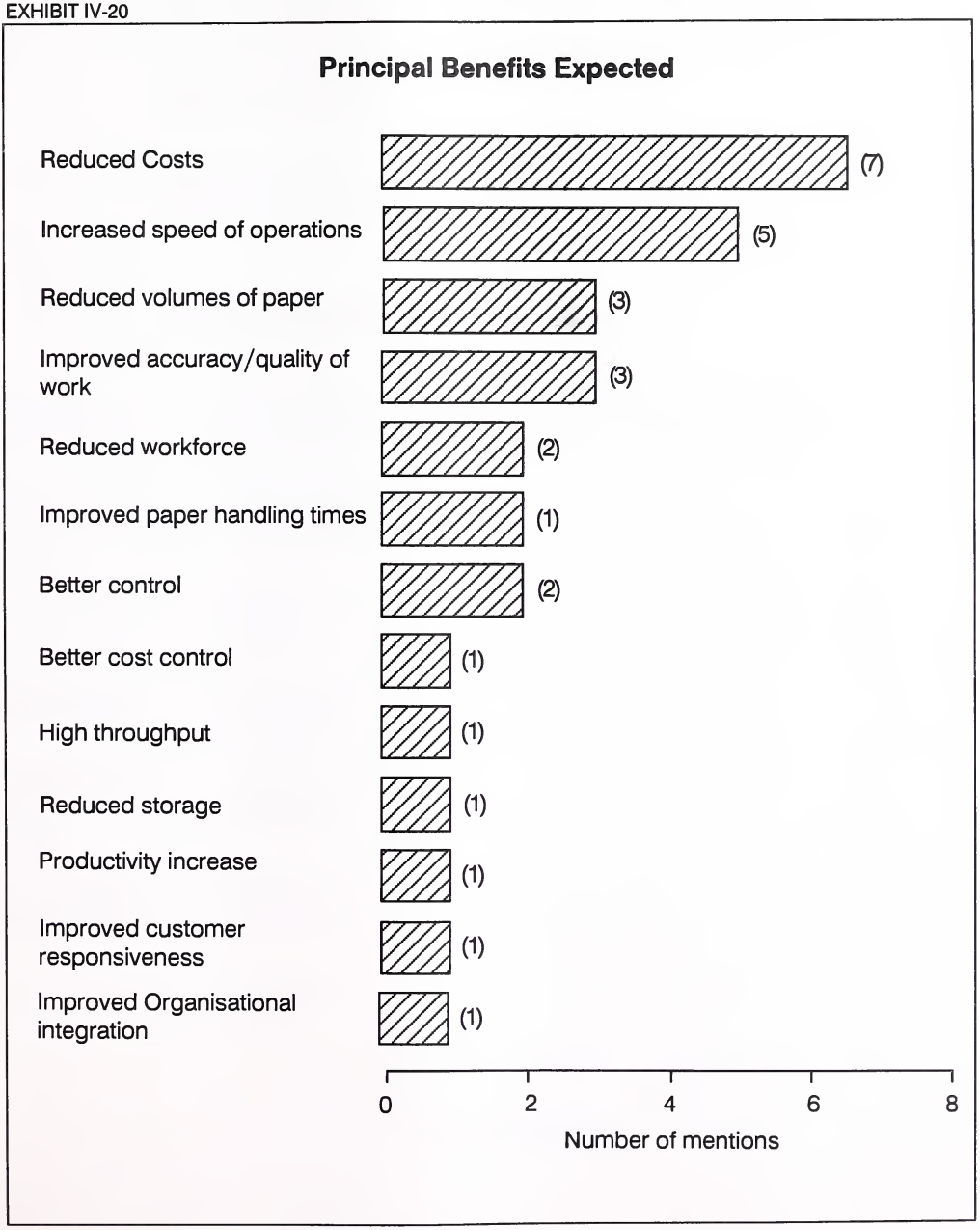
EXHIBIT IV-20



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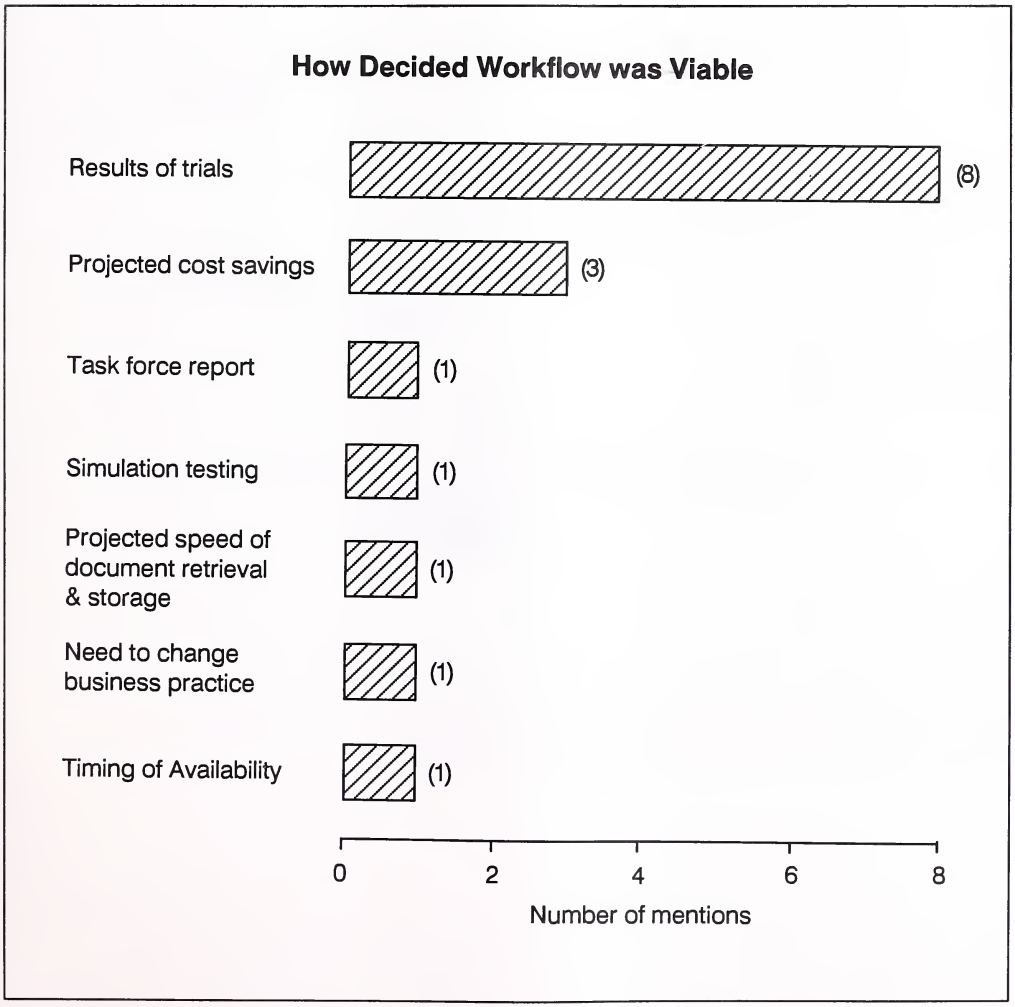
Overall 37% of the mentions of benefits expected were concerned with cost reduction or other increases in internal efficiency. Another 30% of mentions were primarily concerned with increased speed of operations and responsiveness. In third place came reduced volumes of paper and storage (13%).

The ability of workflow to deliver these benefits must be demonstrated prior to adoption. Trials are the major mechanism for achieving this as shown in Exhibit IV-21.

EXHIBIT IV-21



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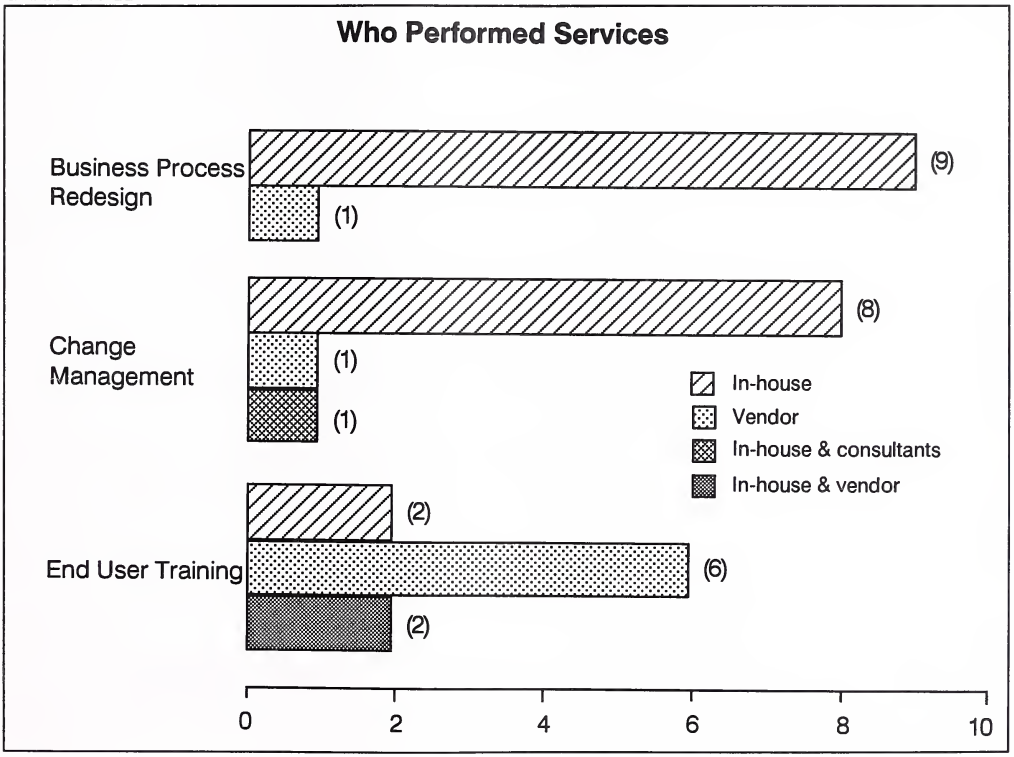
H

Users Perform Business Process Redesign and Change Management

Exhibit IV-22 illustrates the profile of use of the various parties for business process redesign, change management, and end user training.

EXHIBIT IV-22



While vendors clearly have the major involvement in end user training, most organisations perceived that they carried out the necessary business process redesign and change management services in-house.

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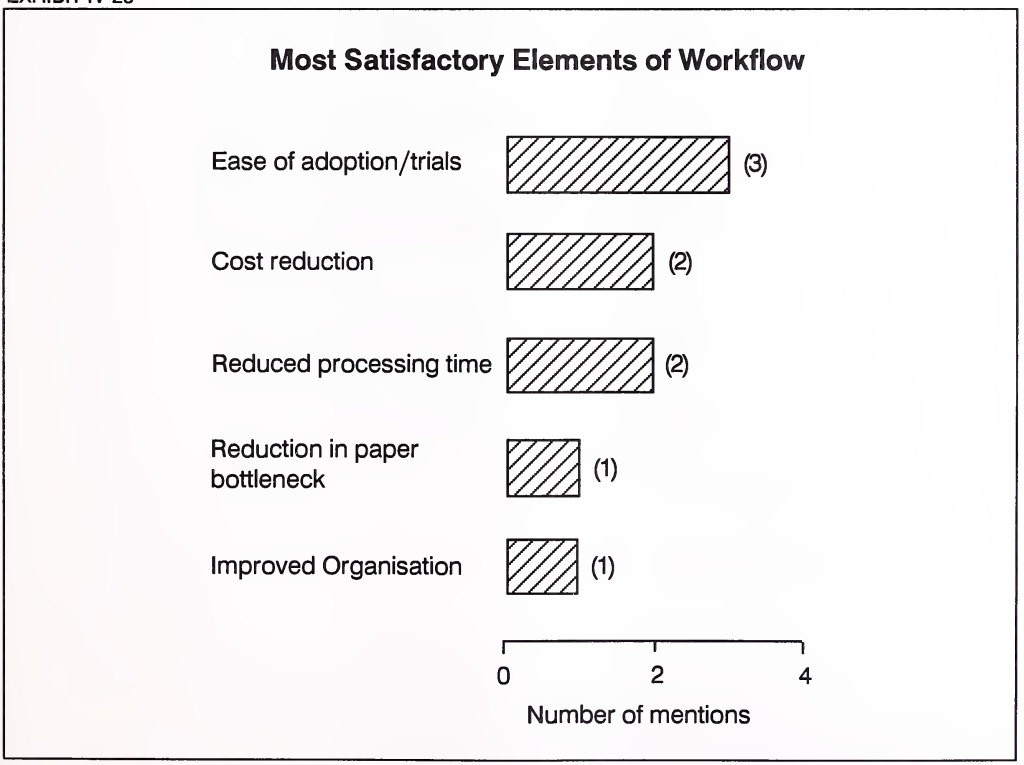
Major Difficulty in Extending Use of Workflow

Overall users were quite highly satisfied with the performance of their workflow systems, with half of the sample reporting satisfaction levels of 80% or more. However a quarter of the sample exhibited some dissatisfaction with their workflow systems. One respondent blamed this dissatisfaction on their limited application of workflow perceiving that a more radical change in procedures across the company would have been more beneficial.

Exhibit IV-23 lists the elements of their workflow implementation that respondents found most satisfactory.

EXHIBIT IV-23



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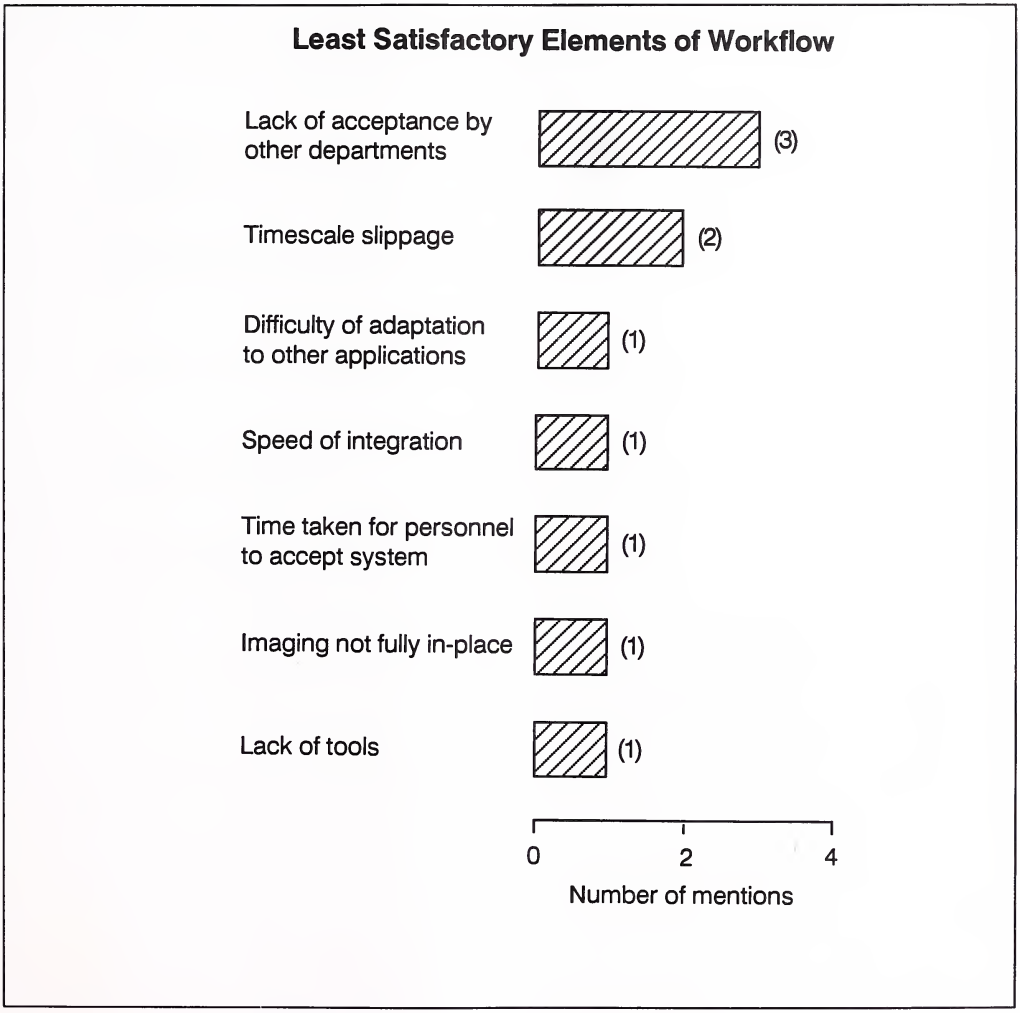
The least satisfactory elements of the introduction of workflow systems are listed in Exhibit IV-24.

EXHIBIT IV-24



This suggests that while organisations find it comparatively easy to introduce workflow into a single department, they then find it difficult to promote the use of workflow across other departments and across the company as a whole.

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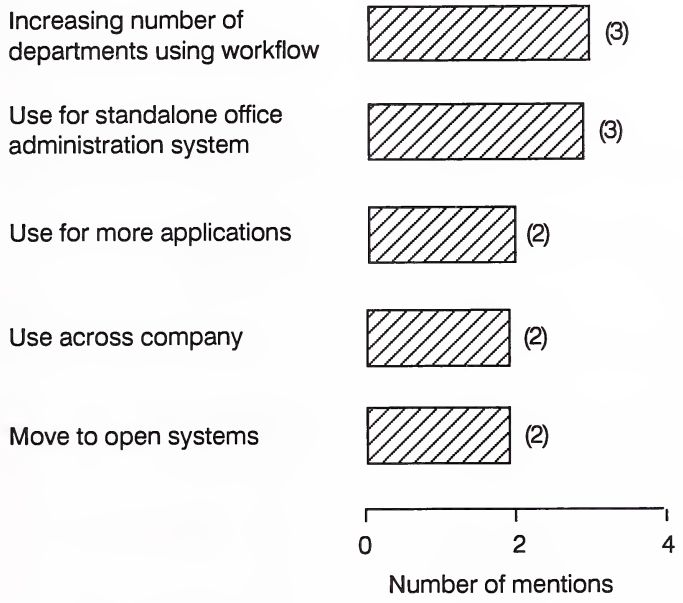
This represents a major challenge for both vendors and users, since organisations have widespread plans to introduce workflow broadly across their organisations as shown in Exhibit IV-25.

EXHIBIT IV-25

Evolution of Workflow System Usage



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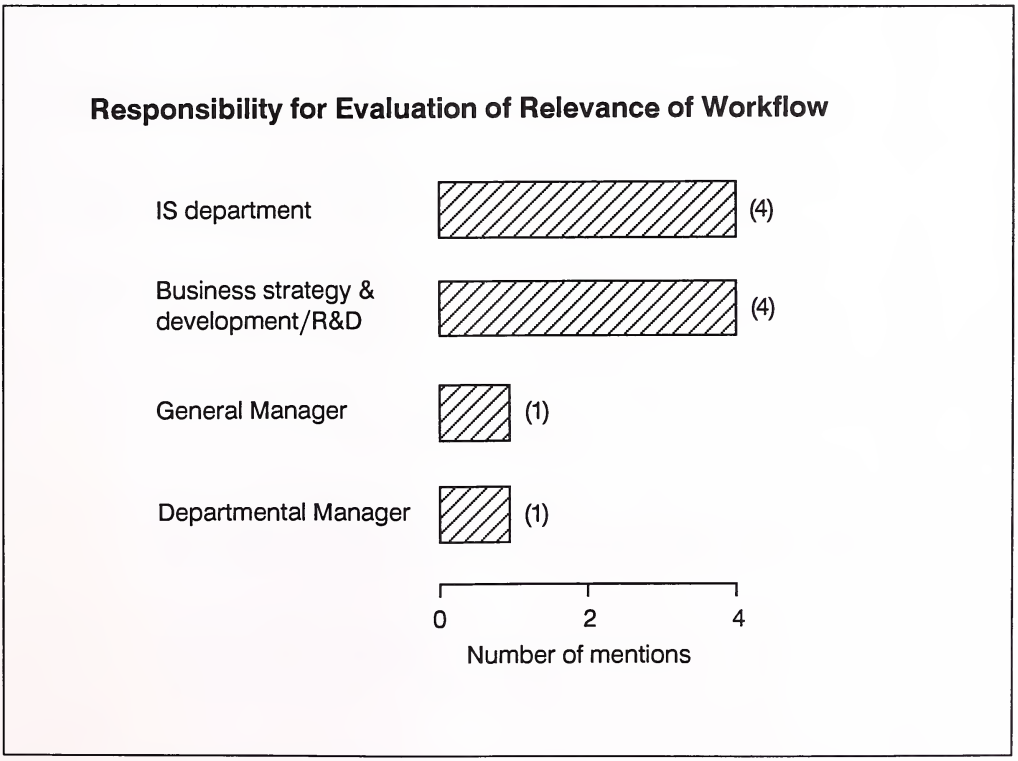
V
Potential User Analysis

A

IS and Corporate Strategy Departments - The Initial Evaluators

Exhibit V-1 lists respondents' perceptions of the personnel who would be responsible for the evaluation of the relevance of workflow systems to their organisation.

EXHIBIT V-1



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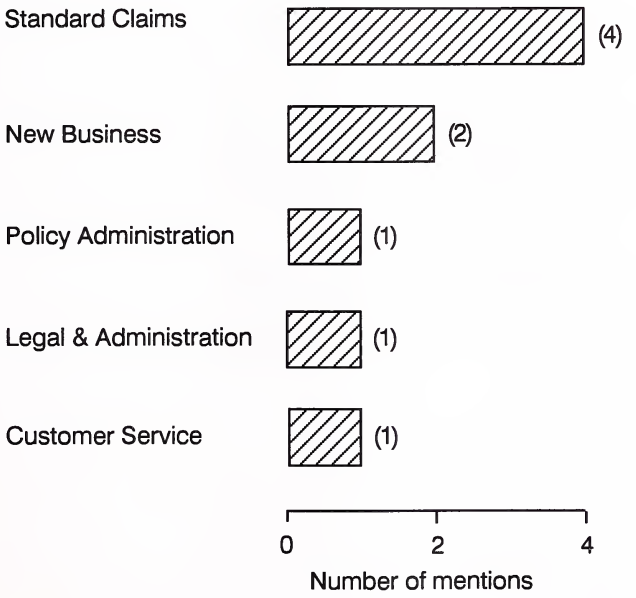
The role of initially evaluating the applicability of workflow seems to be largely undertaken by either the corporate strategy/business development unit or the IS department. General and departmental managers were not typically perceived to become involved at this stage. However it is clear from Chapter III that these personnel become the major influence once the process of trials commences.

The areas where respondents felt that workflow systems would deliver most benefit to their organisations are listed in Exhibit V-2.

EXHIBIT V-2

Where Workflow Systems Would Deliver



The reasons for choosing each of these areas varies widely. However the common themes include:

- reduced physical storage cost
- reduced processing times
- improved control of documentation.

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All of the potential users interviewed had considered, or were considering, introducing workflow systems. Their perceived timescales for the adoption of workflow systems are shown in Exhibit V-3.

EXHIBIT V-3

When Likely to Adopt Workflow

Timescale	Number of Organisations
Up to 1 year	4
In 2-3 years	5
5 years +	1
Average	2.1 years

This indicates considerable enthusiasm for introducing workflow systems. Only one organisation interviewed perceived that the current volume of transactions was insufficient to justify adoption of workflow over the next few years.

However several organisations clearly perceived the introduction of workflow in the short-term (within one year) to be hampered by restrictive IS budgets and particularly by inadequate computer equipment budgets.

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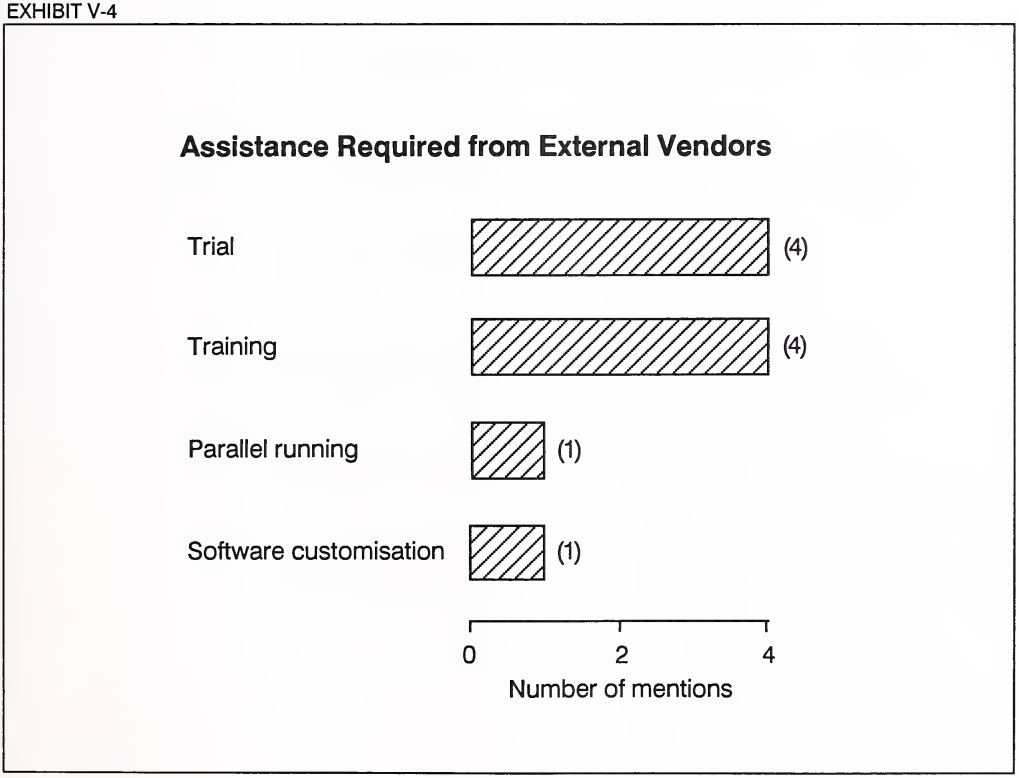
B

Strong Link between DIP and Workflow favours Equipment Vendors

Exhibit V-4 identifies the principal types of assistance that potential users would expect to receive from workflow vendors.

EXHIBIT V-4



This follows a similar pattern to that exhibited by the sample of existing users of workflow systems, with trials and end users training coming to the fore.

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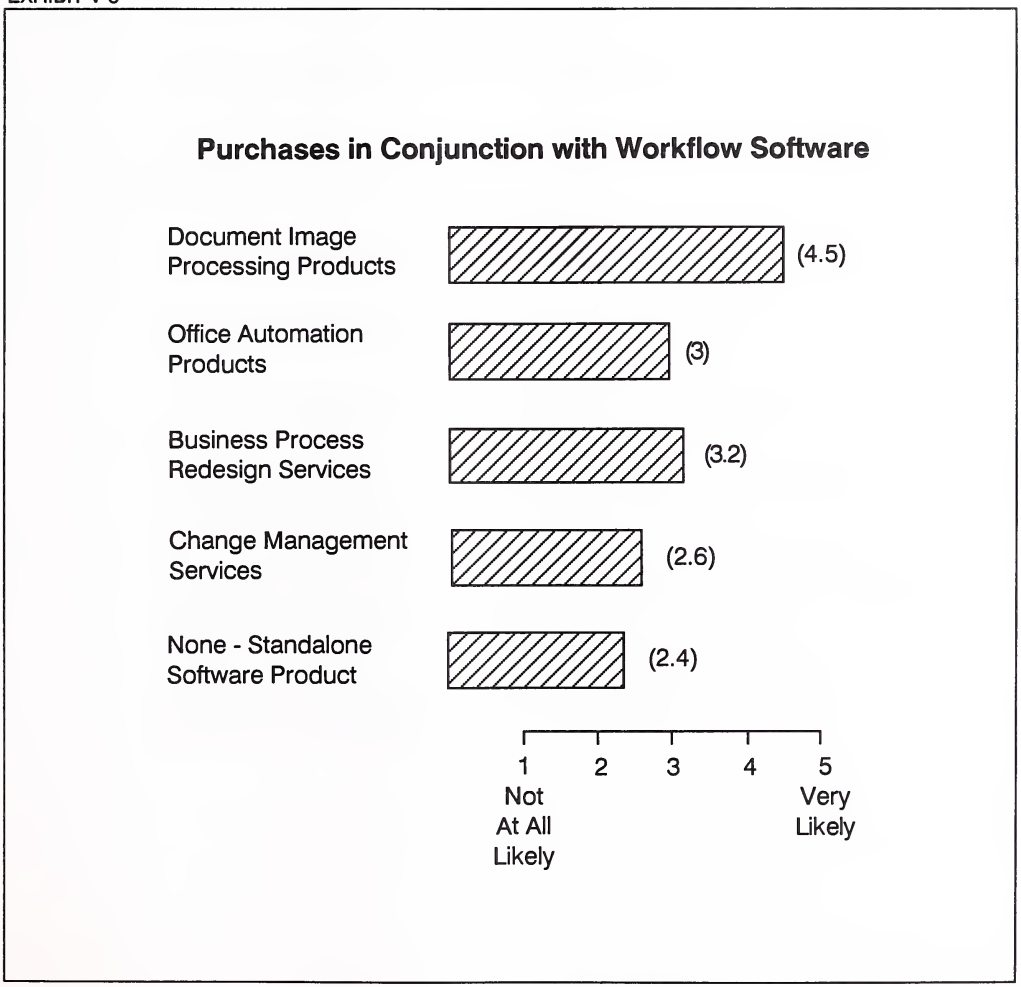
The purchases that potential users would expect to make alongside any purchase of workflow software are listed in Exhibit V-5.

EXHIBIT V-5



As found in the case of users of workflow systems, potential users perceive a very strong link between the purchase of workflow software and document image processing. If a score of 4 or 5 by the respondents is taken as implying a likely purchase, then all of the respondents can be expected to purchase DIP alongside workflow software.

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On the same basis:

- 40% of the respondents can be expected to purchase accompanying business process re-design services
- 30% of the respondents can be expected to purchase accompanying office automation products
- 20% of the respondents can be expected to purchase change management services
- only 10% of the respondents expect to purchase workflow software as a standalone software product.

When questioned specifically about the relationship between workflow and DIP, and workflow and office automation:

- 80% of the respondents said that there was a very close relationship between workflow and document image processing
- 80% of respondents said that there was a loose or non-existent relationship between workflow and office automation.

However one respondent perceived that the relationship between workflow and office automation would gain strength over the next few years with the complete office integration of E-mail, fax etc...

Workflow and DIP are perceived to be strongly complementary products which are dependent upon one another for successful implementation of either.

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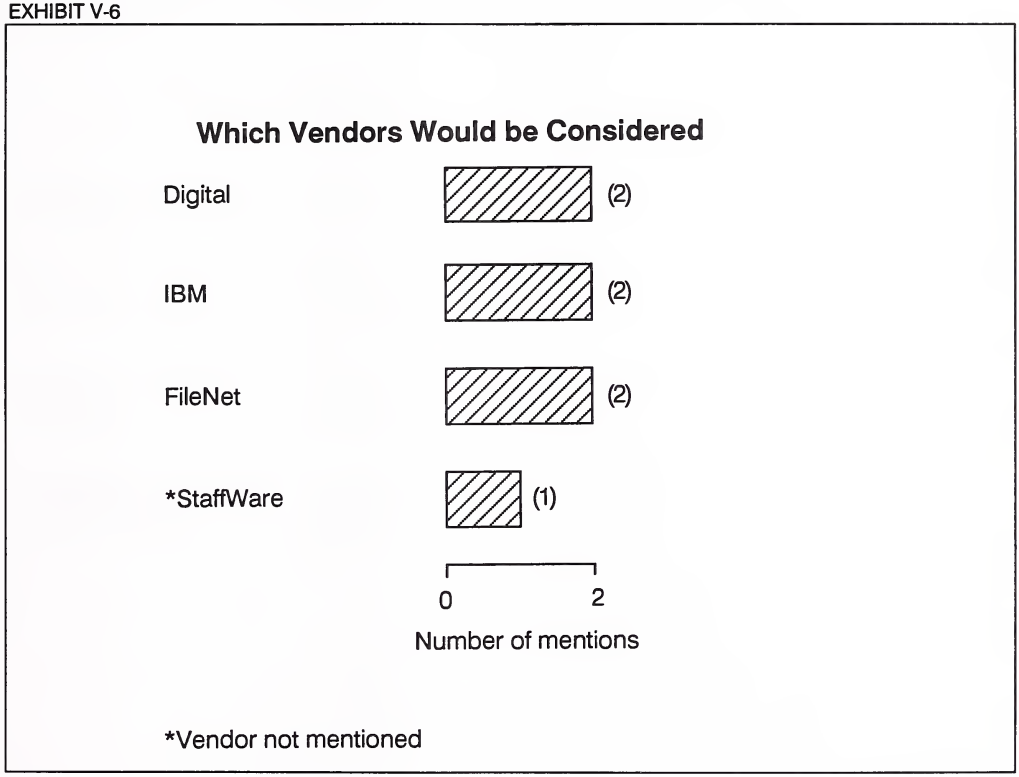
The principal vendors which would be considered to supply workflow products and services are listed in Exhibit V-6.

EXHIBIT V-6



Again, this shows a split between the leading equipment vendors and the specialist suppliers. FileNet clearly has a high profile within the insurance sector.

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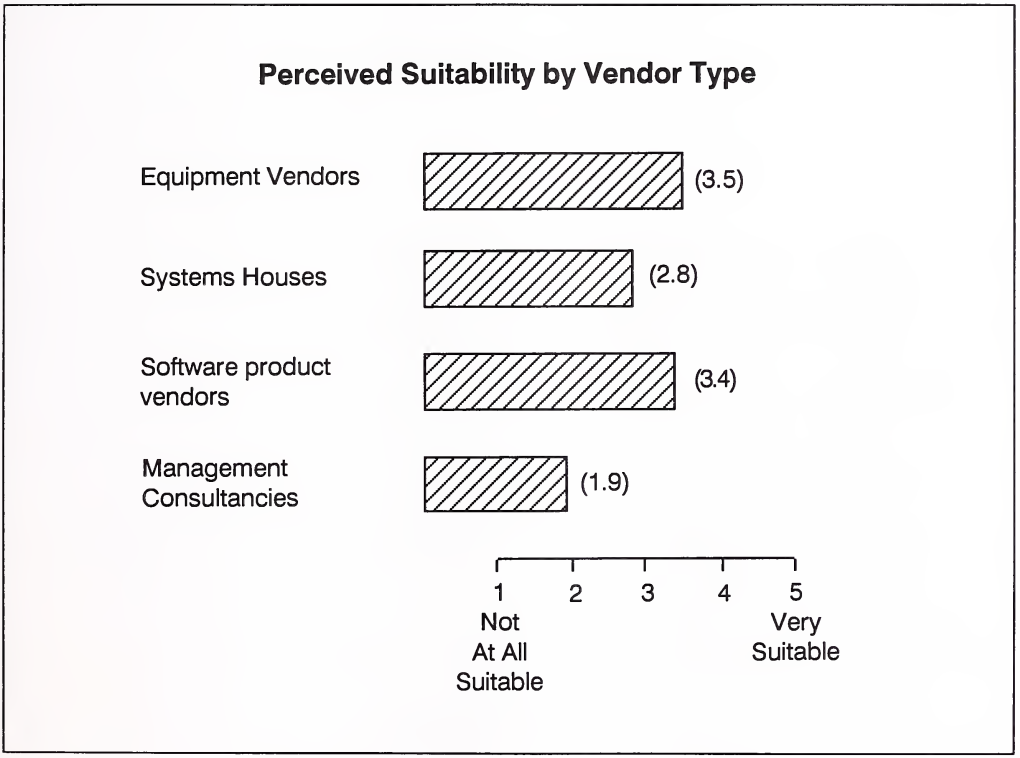
The perceived suitability of the various categories of vendor to supply workflow systems is shown in Exhibit V-7.

EXHIBIT V-7



The types of vendor perceived to be most suitable are firstly the equipment vendors and secondly software product vendors. However it is probable that the correct interpretation of software product vendors in this context is specialist DIP/workflow vendors such as FileNet. Potential users are seeking suppliers who can provide a total solution comprising:

- computer equipment
- imaging equipment
- workflow software
- services such as training and consultancy.

The potential users interviewed show low levels of propensity to purchase workflow software products in isolation.

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VI
Vendor Analysis

This section considers the activities of ten vendors in the workflow system marketplace. In addition to identifying the direction being taken by each vendor, the manner in which each vendor approaches the sales cycle for workflow/imaging systems is considered.

The vendors are grouped into the following categories:

· Consultancies	- Price Waterhouse - Impact Plus
· Systems Vendors	- IBM - Groupe Bull - Unisys - ICL - Olivetti - Digital
· workflow/imaging specialists	- FileNet - Computron - FCMC
· Other	- CMG

It is important to note that at the present time, there is only one workflow software product vendor operating in the UK. Furthermore this vendor does not use direct sales channels to market its products, but relies on third-party distributors who provide a full service offering to users.

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While professional services vendors such as Hoskyns and CMG do play a role as full service integrators in this marketplace, the major battle for market share - in terms of direct sales - is between the systems vendors such as IBM and Digital and the specialist suppliers such as FileNet and Computron.

A

Consultancies - Important Influencers of Vendor Shortlists and Final Selection

1. Price Waterhouse - Favour Non-Proprietary Products

According to Price Waterhouse, the workflow market is still very immature. Companies are just beginning to recognise the concept.

Companies are approaching workflow from two directions:

- Re-engineering - looking to streamline business processes then looking for solutions
  - this approach is still rare
- Conducting imaging pilots, then discovering that workflow is more important than imaging.

The respondent had experience of 4 projects

- 3 started with image pilots
- 1 started with re-engineering.

Only in the latter case is the workflow product selected independently of imaging. In the remaining instances the choice of workflow product is dictated by the choice of imaging system, typically IBM, ICL, Digital.

The manufacturers are pushing image pilots not workflow. Examples of such projects include:

- Royal Insurance
- Norwich Union.

Price Waterhouse perceive that the IS department tends to have an imaging pilot mentality. It takes an O&M department or visionary senior management to push the re-engineering/workflow approach.

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For Price Waterhouse, it is important to select non-proprietary (i.e. open) products. The respondents comments on some of the leading products were as follows:

- FileNet - felt to be proprietary
- ICL Computron } products not open enough. ICL "open" products } not portable to other open environments.
- FCMC
  - product very popular but old-fashioned
  - too form-driven/structured/rigid
  - questions over its openness
  - could be suitable for simple service products where a procedural approach is appropriate e.g. mortgages/general insurance.
- Digital (ECHO) Plexus (Image Flow) Workhorse } felt to be good implementations of CASE-based workflow.

2. Impact Plus - A Leading Specialist Consultancy

Impact Plus is a small specialist consultancy, specialising in the areas of workflow, imaging and document management. The company employs fifteen personnel including twelve consultants.

The organisation has between twenty and thirty clients, mainly concentrated in the financial services and pharmaceutical sectors. These clients include approximately 12 major organisations.

Examples of the organisation's clients are:

- Financial Services
  - Friends Provident
  - General Accident
  - Scottish Equitable
  - Trustee Savings Bank
  - Lloyds Bank
  - National Westminster Bank.

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· Pharmaceuticals
  - Boots Pharmaceuticals
  - Glaxo
  - Unilever.

· Other
  - Department of Transport

Approximately 70% of Impact Plus' clients are in the financial services sector.

Impact Plus assists its clients in:

· Analysing their paper flows

· Re-engineering their business processes

· Vendor selection.

In particular, Impact Plus is currently assisting several users in vendor selection by:

· Producing the Statement of Requirement

· Writing the Invitation to Tender (ITT)

· Compiling the vendor shortlist

· Arranging site visits to reference sites

· Arranging vendor selection days.

Impact Plus perceives that imaging systems play an important role in alerting users to the possibility of business re-engineering. Approximately 75% of Image Plus' clients approach Image Plus with the perception that they require an imaging system. Such users initially underestimate the role played by business re-engineering and workflow. Impact Plus believes that imaging technology is a minor part of the solution ultimately adopted by most of its clients.

Impact Plus claims that it has a larger number of consultants (12) focused on workflow and business re-engineering than the major management consultancies such as Touche Ross and KPMG who typically only have two or three specialists in these areas.

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The organisation claims to be experiencing strong growth in demand for its service offerings.

Impact Plus is an important influencer in vendor selection in the UK workflow/imaging market. Accordingly it is important that vendors achieve a high level of visibility with Impact Plus and take advantage of any opportunities to demonstrate their capabilities to this organisation.

B

Systems Vendors - Benefiting from the Immaturity of the Market

1. IBM - Emphasis on Imaging Technology

IBM has a number of offerings for workflow and imaging running across its equipment platform range. These include:

- MVS environment } - Object-oriented data management (ODM)
  - Folder Application Facility.
- AS/400 - Image Plus/400
- RS/6000 - Dorodoc imaging system
  - Doroflow (StaffWare)
- Personal computer server - Image Plus/2

In 1992, IBM UK claims to have sold approximately 40 imaging/workflow systems. Of these:

- 70% include both imaging and workflow components
- the bulk of the remainder were imaging only.

In revenue terms, the small number of MVS-based sales probably accounted for approximately 60% of revenues.

There are three key industries for workflow:

- Government
- Utilities
- Financial services.

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IBM does not actively market the personal computer based ImagePlus/2. However this may in the future be increasingly marketed through third party channels. It is unlikely to be sold directly by IBM.

IBM claims that there remains considerable demand for both its AS/400 and RS/6000 based products. However demand in the first two months of 1993 was comparatively slack. IBM attributes this to internal re-organisation of its sales channels, rather than a real reduction in market demand.

In terms of the buying process, IBM perceives that much of the initial interest comes from organisations' in-house IS departments. However the involvement of end users then becomes critical.

With a few exceptions, companies are still approaching workflow by carrying out trials within a single department. In these trials the number of users involved varies between four and twenty.

IBM perceive that business process redesign is taking place prior to workflow/imaging trials, and they have a number of consultants who assist companies in this task.

IBM is still concentrating a large proportion of its sales efforts on its MVS-based products targeted at major corporations. However there may be an opportunity to replace, or complement, the ageing StaffWare product as IBM's workflow offering on the RS/6000.

IBM's promotional literature still suggests that users progress in the following stages:

- Storage and retrieval
- Business integration
- Basic workflow
- Advanced workflow.

Accordingly, the company's emphasis still appears to remain on imaging rather than business re-engineering.

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2. Groupe Bull - Problems in Re-Orienting Sales Personnel

Bull claim that the Flow Path product developed by themselves was only launched in December 1992. So far, the company claims to have 7 - 10 users across Europe, but with just a single user of FlowPath in the UK.

As such Bull's approach to the market may still be more theoretical than based on actual market knowledge.

While Bull would be expected to be most active in the public sector, the company claims that workflow is generally applicable with no clear pattern by industry emerging.

Prospects are seen to be both
- small companies employing less than 150 personnel
- very large organisations.

The sales process is expected to take from 9 - 18 months.

Bull's strategy for selling workflow is to start at board-level within prospects. Bull is currently making a determined effort to change the role of its account managers from technical sales personnel to business advisers.

Bull expects to initiate any sale by selling consulting services to the client.

Subsequently, phase one of the implementation (Bull terminology for a departmental trial) is expected to involve the implementation of a system supporting 20-30 workstations.

Bull views links between data processing systems and workflow as critical. However the company takes the view that imaging, while sometimes an integral part of the system, can typically be added later if necessary.

At the beginning of 1993, Bull has not yet developed any clear direction in the UK in terms of the sectors or applications to target. Also the company may lack credibility in a "business advisor" role outside the public sector. Accordingly, Bull is not expected to become a major player in the workflow market in the UK in the next few years, particularly in sectors such as banking and insurance.

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C

Unisys - Use Electronic Tool for Business Process Redesign

Unisys perceives that many users are experimenting with workflow at the same time as they introduce imaging, and often re-engineering of business processes is carried out at the same time as these pilots. Most users remain extremely unsophisticated in their approach to workflow.

Departmental managers are Unisys' main source of business. However their sales seminars cover a wide range of personnel from CEOs, to IS managers, to departmental managers. IS management are more involved in the technological aspects of the system but can be very influential in the early stages of the buying process.

Unisys has traditionally sold to the in-house IS managers, but now, like many other equipment vendors, is endeavouring to convert its account managers to client relationship managers operating higher up the client's management hierarchy.

Unisys believes that it is important that workflow projects have a champion at a senior level within the client organisation, and that business process re-engineering takes place prior to the pilot.

Unisys recognises the importance of demonstrating a significant payback to the client. Business process analysis enables the vendor to ensure that the project chosen does indeed deliver these savings.

Unisys uses an electronic tool - InfoJustify - to capture information concerning:

- The business objectives of the process
- The resources used by individual activities in terms of time, money, and storage
- The level of contribution of the activity to the business goal.

Besides the financial services sector, Unisys believes the main potential to lie in

- the public sector - but less so in the UK
- utilities.

Within the utilities sector, the nuclear industry in the UK has a need for workflow systems incorporating the ability to handle large format documents. Elsewhere in the utilities sector, applications include order-entry, accounts receivable and accounts payable.

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Unisys' imaging/workflow product consists of the FileNet product front-ended by their own product EventManager. EventManager is an item of decision making software which handles routeing and load balancing activities.

Unisys has sufficient presence in the financial services sector in the UK to become a second tier player in providing workflow systems to this sector. The company has developed its own methodologies for approaching business process redesign.

4. ICL - Targeting Cross-Departmental Business Process Integration

ICL is targeting workflow both from a business process re-engineering perspective and via office automation. The two products concerned are:

- ProcessWise
- PowerFlow.

PowerFlow is FCMC's StaffWare product tailored for the office environment. PowerFlow is marketed as a component of a document management portfolio, consisting of:

- PowerFile
- ICLFILE
- OfficePower Records Manager
- PowerVision - imaging
- PowerFlow.

ICL regards PowerFlow as having strong links with its office automation product - OfficePower, enabling links with E-mail to be developed.

Sales of PowerFlow combined with PowerVision are only just beginning. So far, PowerFlow has been sold in the form of bundled applications which did not include an imaging product.

In the UK, ICL has 35 clients for PowerFlow, some of whom have multiple licences for the product.

ICL's strength lies in the local government sector where PowerFlow has been packaged for the following applications:

- Local government revenues
- Special educational needs
- Council house sales.

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In addition, PowerFlow is used for

- Procurement in the defence sector
- Share registration
- Import/export
- Proposal processing
- Help desk systems
- Change control.

Sales of PowerFlow are seen to arise out of office automation projects.

Imaging is more likely to generate interest in workflow, than is business re-engineering. The market is still mainly concerned with automation of existing procedures.

ICL views PowerFlow as a mechanism for automating low level administrative procedures, for example completing forms in the correct sequence.

ProcessWise, however, is seen as a higher level tool for managing process change across organisational boundaries.

ProcessWise is a combination of methodology and tools designed to facilitate business process re-engineering.

The three stages of the ProcessWise methodology are:

- Process Description - capturing a description of business process flows and activities
- Process Redesign - to reduce costs and improve the effectiveness of the process
- Process Management - integration of the processes into a computer co-ordinated system.

The tools used to support these processes are:

- ProcessWise Workbench - used for modelling generic business processes
- ProcessWise Integrator - co-ordinates process management and integrates supporting information systems.

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The core element of ICL's ProcessWise offering is business process modelling using the ProcessWise workbench. This is typically conducted as an independent exercise crossing divisional boundaries.

ICL typically has very little contact with IS departments in the course of such projects. Frequently ICL works with O&M/Work Study departments. ICL either sells the Workbench tool to these organisations or assists them in using it.

Such projects can produce demand for strategic consulting services which ICL typically runs as workshops with a view to facilitating the client's own managers.

Clients also need assistance in implementation. Typically this involves human resources and organisational design skills. There is also interest in supporting the new processes with information systems.

The main interest in ProcessWise lies within the financial services sector, though interest is increasing rapidly within central government. There is a limited level of interest from the manufacturing and retail sectors.

For example, in the financial services sector, PowerFlow is appropriate for implementing workflow in a single department, whereas ProcessWise is more appropriate for customer case handling across a variety of different financial services products.

ProcessWise is a very ambitious service which still requires customisation if IS support is to be provided to the new business processes developed.

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C

Workflow/Imaging Specialists - Under Pressure from Systems Vendors and GroupWare Products

1. FileNet - Targets Specific Organisations

FileNet has sold 600 systems worldwide since its first product shipment in 1984. The company has installed approximately 25 systems in the United Kingdom. Examples of UK clients include:

- TSB - insurance claims
- Scottish Amicable - pensions processing
- BT - Customer services

Since these clients have all installed above average numbers of seats, the total number of FileNet seats in the UK is approximately 2000.

FileNet views the pilot installation as one of the inhibitors to widespread adoption of workflow. This is because:

- For a 5-seat pilot, the cost is typically £20K per seat, compared to, say, £1K per seat in the long run

- In a small pilot, it is difficult to reduce the number of personnel even if a 20% cost reduction is achieved.

Hence, workflow/imaging comes to be viewed as costly technology as a direct result of the pilot.

In FileNet's experience, there are two ways in which users tend to implement imaging/workflow systems:

- By re-engineering their business processes and making these more efficient prior to the subsequent adoption of imaging/workflow (Type A)

- By asking an imaging/workflow vendor to work with them to assist the company in understanding its business processes and subsequently implement imaging/workflow (Type B).

At present, FileNet estimates that 80% of users *perceive* themselves to be adopting the Type A approach, and 20% *perceive* themselves to be adopting the Type B approach.

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FileNet disagrees with these perceptions, believing that in reality 80% of users require extensive assistance in realigning their business processes. The cost of the Type B approach is a deterrent to organisations thinking of adopting workflow/imaging systems.

FileNet targets a specific list of named organisations. Within each of these organisations, FileNet endeavours to approach:

- Finance Director
- Chief Operating Office
- An End-User Director
- The IS department.

O&M departments are also excellent targets, in organisations where such an entity exists.

FileNet perceives that end users tend to be more enthusiastic about imaging/workflow than the IS department. End users see the benefits of such systems whereas IS departments see the risk and the need for outside assistance.

FileNet perceives that partnerships with outside consultancies are important to deliver business process re-engineering skills. They have partnerships with:

- Touche Ross
- KPMG
- IMI
- Hoskyns.

Touche Ross are seen to be now well-positioned in this field and possibly leading the other management consultancies such as KPMG. Andersen Consulting are perceived to be mainly involved with very large-scale projects.

An organisation called Impact Plus has become a very significant player in supporting in-house IS departments. In particular, the organisation supports companies in developing an understanding of workflow and in identifying potential vendors.

FileNet estimates the proportion of services expenditure in "Type B" sales to be 60% of total expenditure. Hardware and software product account for the remaining 40%.

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FileNet's current products address the "heavy-duty" workflow applications in sectors such as banking and insurance. However, the company will shortly introduce additional products for the occasional workflow user, to compete in the groupware arena.

2. Computron - Target Administration Directors

The market for workflow was fairly flat in 1992. Essentially for much of 1992, users were raising their knowledge levels. However, there were noticeably higher levels of activity in the market towards the end of 1992.

Users are being driven by:

- Need to save money
- Need to improve customer service levels.

Many organisations will lose market share unless they succeed in improving their customer service levels.

Adoption of imaging systems is frequently a cop-out by users.

Some users think that they can superimpose workflow on existing systems.

Others are conducting pilots in tangible areas. These pilots involve process flow specifications and are used as internal education sessions.

However it is important that the vendor demonstrates ACTUAL COST BENEFITS. A failure to do so will lead to workflow not being introduced.

Another danger is that users may perceive that it is easy to re-engineer their business processes.

A major part of the cost lies in purchasing consultancy services. Workflow is an increasingly important part of their offering.

Computron offers a complete package of:

- Imaging
- Workflow
- Consultancy.

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One inhibitor remains the cost of imaging. For intensive use of imaging, 19" imaging screens are required. Scanners still cost £10K.

Computron target administration directors in large companies. The most promising sectors for workflow management are:

- firstly, financial services
- secondly, distribution sector e.g. Sainsburys, Tescos.

Computron does get involved with the utilities but these organisations tend to adopt COLD technology not workflow.

Computron only operate through direct sales.

D

Professional Services Vendors - Limited Role in Worfklow Market

1. CMG - Specialise in Debt Collection in the Banking Sector

Historically CMG have undertaken many projects concerned with imaging.

However there is now less emphasis on the use of image, particularly for storage and retrieval. Microfiche or microform may be all that is required.

More and more of their work is concerned with business process re-engineering. Banks are increasingly looking for ways to improve their clerical activities. However it is important not to use the term business process re-engineering, since this tends to frighten clients. They spend a lot of time de-mystifying the process in the initial discussions.

CMG tend to talk to the business heads of operational areas. For example, they appear to have undertaken a number of projects in the area of collections and debt recovery.

Overall they are working with five major retail banks to assist them in automating their clerical procedures.

However, much of this work does not include workflow products. Frequently they are involved in building PC-based front-end systems to pull all the information relevant to a customer together, and hence avoid customers with a query being passed around numerous departments.

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Another example of their work is automating procedures to open new accounts. The time to open a new account can be reduced dramatically by automating credit agency references for example.

Workflow automation products are increasingly being used without imaging support. One example is their debt collection work where they have built a system based on AS/400 equipment with the following capabilities:

- Diary automation
- Case handling
- Daily work schedules driven from the user's terminal
- Prioritisation of cases.

Other technologies they expect to play a significant role in the future include:

- Predictive dialling
- Voice response.

In terms of workflow products they perceive that there is no clear market leader. It is a case of "horses for courses". However, StaffWare was clearly regarded as one of the leading bunch of products. For imaging they would use companies such as Olivetti, NCR etc. However they were keen to stress their independence from product vendors in both of these areas.

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VII
Conclusions

The market for workflow software products will segment into two components:

- General purpose workflow products for the occasional user
- "high volume" workflow products.

The general purpose workflow market will be dominated by groupware products from the principal PC software product vendors such as Lotus and Microsoft. These products will generate sales comparable to those for other office automation applications such as word processing, E-mail, and spreadsheets.

Distribution is the key to success in this market. This is best achieved by forming a partnership or joint venture with one of the vendors who dominate the PC software product worldwide. It is unlikely that any vendor could be successful in the medium or long-term operating in the UK market alone.

The market for "high volume" workflow products can be expected to continue to expand over the next five years, possibly reaching up to three times its current value - $15m in the UK.

However it will remain impracticable to market "high volume" workflow software products direct to clients as stand-alone products. Software product vendors operating in this market will need to distribute their products via systems integrators who offer:

- Business process re-engineering and change management services
- Document image processing systems.

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This present Centre-file with a choice between:

- Being a software product vendor
- Becoming a systems integrator for workflow systems.

At present, there is only one vendor operating as a "high volume" workflow software product vendor in the UK, namely FCMC. However their product, while successful, is now starting to age and there appears to be scope for an innovative workflow software product to capture market share.

However in order for any vendor to capture market share, it would need to displace StaffWare from its distribution agreements with some of the leading systems integrators. In particular, international distribution agreements with some of the leading systems vendors such as IBM, Digital, and Unisys would need to be established.

The second option is to establish the vendor as a systems integrator specialising in particular sectors, for example, insurance and financial services.

In order to be successful with such a strategy, it would be necessary for the vendor to demonstrate:

- Business process re-engineering capability in its chosen sectors
- Demonstrate credibility to the key influencers such as:
  - Touche Ross
  - KPMG
  - Impact Plus.
- Access to appropriate complementary products such as document image processing
- The financial backing to underwrite the risks inherent in large workflow projects
- Access to impressive reference sites.

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It would also be desirable for a vendor adopting this approach to enter into partnerships

- with the leading consultancies in the UK such as Touche Ross, KPMG, and Andersen Consulting
- to develop international co-operation agreements to acquire widespread geographic coverage and to serve the leading multinationals on a global basis.

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A
User Questionnaire

USER QUESTIONNAIRE

Good Morning, my name is ( ) from INPUT. I should like to talk to you about Workflow Systems. I believe your organisation has implemented one for ( ).

1. (a) Who initiated the process of adopting Workflow within your organisation?

_____

_____

_____

_____

(b) Who else was involved? What were their roles in this process?

_____

_____

_____

_____

(c) Who was most influential in selecting your supplier of a Workflow System?

_____

_____

_____

_____

If possible, select interviewee identified in 1(c).

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2. (a) Why did your organisation consider using Workflow Systems?

(b) For which applications did you consider using Workflow Systems? Why?

(c) Which application(s) did you finally select? Why?

(d) For which additional applications do you expect to adopt Workflow Systems over the next 2-3 years?

3. (a) How did your organisation go about deciding whether or not to adopt Workflow Systems?

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(b) Who was involved both internally and externally?

(c) Which information sources did you consult?

(d) What use did you make of external consultants?

(e) Which Workflow System vendors did you consult?

(f) What finally persuaded you that Workflow was a viable option?

(g) What were the principal benefits you expected to achieve from use of workflow?

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4. (a) What would you consider to be the pre-requisites for adopting Workflow? What made Workflow the next logical step to take?

(b) Do you use document image processing in conjunction with Workflow? Did you install document image processing in conjunction with the Workflow System or at an earlier date?

(c) How important is prior experience of document image processing?
Why?

(d) Who supplied your document image processing system?

5. (a) Who was involved in the selection of a vendor to supply your Workflow System?

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(b) How did you identify possible vendors for your Workflow System?

(c) Which vendors did you evaluate?

(d) How did you go about evaluating them?

(PROMPT FOR EACH STEP INVOLVED)

(e) How long did this process take?

(f) What were your principal selection criteria?

(g) Which vendor(s) did you select? Why?

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(h) Which products or services were supplied by each vendor?

_____

_____

_____

_____

(i) Who performed the following services?

- business process redesign _____
- change management _____
- end user training _____
- supply of Workflow Software product _____
- supply of document image processing _____

6. What roles/activities were performed by each of the following parties in the implementation of your overall Workflow System:-

- In-House IS personnel

_____

- End user management and personnel

_____

- Third parties

_____

7. (a) How satisfied are you with your Workflow System?

_____

_____

(b) Which elements are you most satisfied with?

_____

_____

_____

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7. (c) Which elements are you least satisfied with? Why?

_____

_____

_____

_____

(d) Do you feel you fully utilise the capabilities of your present system?

YES/NO

(e) How do you expect your use of Workflow Systems to evolve over the next 2-3 years?

_____

_____

_____

_____

THANK YOU VERY MUCH FOR YOUR ASSISTANCE

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B
Potential User Questionnaire

POTENTIAL USER QUESTIONNAIRE

Good Morning, my name is ( ) from INPUT. I should like to talk to you about Workflow Systems.

1. What do you understand by the term "**Workflow**"?

2. Who would be responsible for the evaluation of the relevance of Workflow Systems to your organisation?

IF POSSIBLE, INTERVIEW THIS RESPONDENT

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3. (a) Have you ever considered using Workflow Systems? If not, why not?

   YES/NO

   _____

   GO TO Q4

   (b) If so, and adopted Workflow, go to **USER QUESTIONNAIRE**

   Otherwise, why did you decide not to adopt use of Workflow Systems?

   _____

   _____

4. (a) Where do you feel Workflow Systems would deliver most benefit to your organisation? Why?

   _____

   _____

   _____

   (b) In how many years do you feel your organisation is likely to adopt use of Workflow Systems?

   _____ Years

   (c) Why then?

   _____

   _____

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5. (a) If you were to adopt Workflow Systems, what assistance would you require from external vendors?

(b) To what extent would you expect to purchase workflow software in conjunction with each of the following.

	Not at all Likely				Very Likely
Document Image Processing Products	1	2	3	4	5
Office automation products	1	2	3	4	5
Business process re-design services	1	2	3	4	5
Change management services	1	2	3	4	5
As a standalone software product	1	2	3	4	5

(c) How do you see the relationship between Workflow and document image processing?

(d) How do you see the relationship between Workflow and office automation?

6. If you were to decide in favour of Workflow, which vendors would you consider to supply products or services? What role would you see each of these vendors performing?

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7. (a) Ideally what combination of products and services would you expect to purchase to assist you in implementing a Workflow System?

_____

_____

_____

(b) Which vendors do you think are best placed to supply this combination?

_____

_____

_____

(c) How suitable do you perceive each of the following categories of supplier to be?

	Not at all suitable				Very suitable
Equipment vendors	1	2	3	4	5
Systems Houses	1	2	3	4	5
Software product vendors	1	2	3	4	5
Management Consultancies	1	2	3	4	5
Other	1	2	3	4	5

8. What would be your principal vendor selection criteria?

_____

_____

_____

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